



Montana Board of Oil and Gas Conservation
2535 St. Johns Avenue
Billings, MT 59102

July 28th, 2023

Submitted Electronically to: bjones@mt.gov, durrett4@gmail.com, and jennifer.breton@mt.gov

RE: Request for decision on Montana's oil/gas bond requirements for state lands
Chairman Durrett and Board members,

We are writing in order to follow up on our request to the Montana Board of Oil and Gas Conservation (BOGC) to evaluate current bonding policy and to discuss an increase in bonding levels for new oil and gas wells which was made at the business meeting on April 12th. Northern Plains members are greatly appreciative of the board's decision to review our state's plugging and reclamation bonding levels via the presentation made by Mr. Jones, and the ensuing deliberations with board members provided the essential information that Northern Plains members needed to move forward with this discussion.

Our Northern Plains oil and gas task force members met to review the content presented at the meeting. The intent of this letter is respectfully to submit for your consideration a list of recommendations developed by this task force.

A number of our recommendations listed below have already been noted and discussed, and it seems viewed positively by the Board, so they are not new or particularly novel. The recommendations are somewhat general as we thought some of the specifics could come out of our discussions with you -- beginning at your August meeting.

Our recommendations:

1. Raise the base blanket bond amount for new oil and gas development. The level of increase could be tied to the level of inflation since 1998.
2. Remove the cap on the damage mitigation fund. We recognize that this will probably need legislative action of some kind.
3. Establish a maximum number of wells that can be on a multi-well bond. We understand that the Board already has the authority to do this.
4. Bonding policy should reflect the complexity of the well and the expenses associated with reclaiming and mitigating any given well.
5. Northern Plains advocates that the BOGC ensure that Montana remains eligible for any future funding that can be used to address orphaned wells and plugging issues in our state.

We would like to highlight a few key justifications and resources relating to the recommendations for the reference of the board members and staff in order to best prepare for our discussion in August. The most critical policy solution to ensure wells are cleaned up is to require financial assurance or bonds at a level that covers the full cost to plug and reclaim them. This strategy can ensure that the entities who developed a site will be responsible for these costs.

- Raise the base blanket bond amount for new oil and gas development. The level of increase could be tied to the level of inflation since 1998.
 - We'd request that the base blanket bond amount be set at \$100,000 or that the amount be set at \$90,000 and then adjusted on a schedule based on the consumer price index. Based on inflation alone, \$50,000 in 1998 would be equivalent to about \$90,000 today.¹
 - A rate of \$15/foot, adjusted for inflation, is a sufficient amount and consistent with studies and past experiences of plugging and reclamation work completed by state and federal agencies.² These amounts may look high, but Inflation, cost of materials, and drilling technology have changed.
- Establish a maximum number of wells that can be on a multi-well bond. We understand that the Board already has the authority to do this. We have provided the figure below representing states with somewhat similar production levels and what their bond policy may include.

State	amount of production	Blanket Bond Amount	Maximum # on Blanket Bond, etc.
Montana	18,994 barrels crude oil production in 2021	\$50,000	?
Louisiana	34,719 barrels crude oil production in 2021	<i>see other column</i>	\$50,000 (up to 10 wells) \$250,00 (11-99 wells) \$500,000 (100+ wells)
South Dakota	1028 barrels crude oil production in 2021	100,000	An additional bond of \$20,000 applies to non-producing wells or unused for over 6 months.
Mississippi	13,034 barrels crude oil production in 2021	100,000	?

¹ <https://www.bls.gov/data/home.htm>.

² See Anderson, Coupai and White (2009) (finding that the costs of plugging a sample of 225 wells in Wyoming averaged \$10.50 per foot of well depth (\$13.18 USD in 2021 dollars).

Wyoming	85,429 barrels crude oil production in 2021	adjusts every 3 years based on consumer price index (100,000)	fee associated with idle wells
Utah	35,448 barrels crude oil production in 2021	\$15,000 (under 1000 feet) \$120,000 (over 1000 feet)	?

Figure citation: 1) <https://www.worc.org/media/2021.3-WORC-Reclaiming-Wells-Addressing-Climate-Impacts-v2.pdf>

2) <https://www.eia.gov/energyexplained/oil-and-petroleum-products/where-our-oil-comes-from.php>

3) <https://www.ncsl.org/energy/state-oil-and-gas-bonding-requirements>

In conclusion, **we ask to discuss the above recommendations with the board at the August business meeting.** Northern Plains would like to sincerely thank the Board for allowing us to be part of this discussion on bonding. Our participation and observations to this point have given us confidence that all participants want our beautiful state's resources to be developed in a responsible manner. We appreciate your taking the time to consider our recommendations; please contact us if you should have any questions. Finally, thank you for your good work as members of the BOGC. We look forward to seeing you in August.

Sincerely,



Susann Beug and the members of the Northern Plains Resource Council

Board Members,

The first spreadsheet is the most important one, but the following sheets provide an overview of the steps used to generate the forecast and a helpful graph that breaks down the rate needed to meet Board operating expenditures at a given oil price. We are currently in the row on each spreadsheet that has a background color of orange. Numbers in red represent forecasts and those in black are either fixed or based upon prior forecasts. Since income and expenditures are updated to actual numbers when they become available only the row with the orange background and rows below it are important at this time.

The assumptions for the forecast are:

- Tax rate of 0.25%, or the current rate.
- A constant oil price of \$70/barrel was used for the remainder of the biennium. EIA's WTI forecast through the end of 2023 is \$74.43/barrel and for 2024 is \$78.51/barrel. A 0.88 differential was used to come up with the prices for Montana.
- Oil production for the remainder of the biennium is estimated to remain flat. Production declines quickly when wells are not being completed, but we are expected to continue to get Bakken completions and recompletions that will likely increase production over the biennium. A flat production rate over the biennium is being conservative.
- Expenditures shown for the remainder of the biennium are the budgeted expenditures. Actual expenditures have been 15-20% below budget.
- In addition to the tax on oil and gas production we also have annual injection well fees and a federal UIC grant, which are assumed constant.

Revenue through the past biennium has exceeded expenditures, and the reserve account balance grew from approximately \$3.9 million to nearly \$7 million at the end of FY 2023.

Using the production volumes, price, and budgeted expenditures as outlined above, a tax rate of 0.18% would be needed to meet Board operations plus non-Board expenditures. However, 15-36-331(2)(b), MCA, caps the amount that can be deposited in the OGNRDA at 0.08%, so it would not be a benefit to lower rate below 0.22%.

Rulemaking to lower the tax rate would take 6-12 months and it is estimated that the new rate would take effect around the beginning of FY 2025 (July 1, 2024). Lowering the tax rate from 0.25% to 0.22% within this timeframe and using the assumptions from above, the total expenditures for the FY 24/25 biennium would be approximately \$7 million, total income would be approximately \$9 million, and the account balance at the end of the biennium (June 30, 2025) is estimated to be \$8.9 million.

Note: High special revenue accounts may be the target of 'legislative appropriation' during the next session; however, this could provide an opportunity to work with legislature on a way to use a portion of these funds toward plugging orphan wells.

Recommendation: Initiate rulemaking to reduce P&L tax rate to 0.22%.

Overview

7/25/2023								
							Special Revenue Account	
Month	Months	CY	FY	Prod Receipt	Expenditures	Revenue	Beginning	End
23	Jul-Sep	3Q-2020	FY 21 Q1	CY 1Q-2020	\$ 729,839	\$ 583,748	\$ 4,597,646	\$ 4,451,555
24	Oct-Dec	4Q-2020	FY 21 Q2	CY 2Q-2020	\$ 541,975	\$ 226,365	\$ 4,451,555	\$ 4,135,945
25	Jan-Mar	1Q-2021	FY 21 Q3	CY 3Q-2020	\$ 788,240	\$ 667,034	\$ 4,135,945	\$ 4,014,739
26	Apr-Jun	2Q-2021	FY 21 Q4	CY 4Q-2020	\$ 567,921	\$ 543,042	\$ 4,014,739	\$ 3,989,860
27	Jul-Sep	3Q-2021	FY 22 Q1	CY 1Q-2021	\$ 953,884	\$ 703,003	\$ 3,989,860	\$ 3,738,979
28	Oct-Dec	4Q-2021	FY 22 Q2	CY 2Q-2021	\$ 571,559	\$ 764,254	\$ 3,738,979	\$ 3,931,674
29	Jan-Mar	1Q-2022	FY 22 Q3	CY 3Q-2021	\$ 700,429	\$ 1,056,365	\$ 3,931,674	\$ 4,287,610
30	Apr-Jun	2Q-2022	FY 22 Q4	CY 4Q-2021	\$ 728,937	\$ 1,036,084	\$ 4,287,610	\$ 4,594,758
31	Jul-Sep	3Q-2022	FY 23 Q1	CY 1Q-2022	\$ 825,509	\$ 1,138,805	\$ 4,594,758	\$ 4,908,054
32	Oct-Dec	4Q-2022	FY 23 Q2	CY 2Q-2022	\$ 894,784	\$ 1,592,452	\$ 4,908,054	\$ 5,605,722
33	Jan-Mar	1Q-2023	FY 23 Q3	CY 3Q-2022	\$ 567,217	\$ 1,596,006	\$ 5,605,722	\$ 6,634,510
34	Apr-Jun	2Q-2023	FY 23 Q4	CY 4Q-2022	\$ 1,006,562	\$ 1,254,739	\$ 6,634,510	\$ 6,882,688
35	Jul-Sep	3Q-2023	FY 24 Q1	CY 1Q-2023	\$ 1,094,951	\$ 1,174,047	\$ 6,882,688	\$ 6,961,784
36	Oct-Dec	4Q-2023	FY 24 Q2	CY 2Q-2023	\$ 794,951	\$ 1,067,130	\$ 6,961,784	\$ 7,233,963
37	Jan-Mar	1Q-2024	FY 24 Q3	CY 3Q-2023	\$ 794,951	\$ 1,328,554	\$ 7,233,963	\$ 7,767,566
38	Apr-Jun	2Q-2024	FY 24 Q4	CY 4Q-2023	\$ 794,951	\$ 1,197,554	\$ 7,767,566	\$ 8,170,169
39	Jul-Sep	3Q-2024	FY 25 Q1	CY 1Q-2024	\$ 1,100,109	\$ 995,881	\$ 8,170,169	\$ 8,065,942
40	Oct-Dec	4Q-2024	FY 25 Q2	CY 2Q-2024	\$ 800,109	\$ 987,881	\$ 8,065,942	\$ 8,253,714
41	Jan-Mar	1Q-2025	FY 25 Q3	CY 3Q-2024	\$ 800,109	\$ 1,187,881	\$ 8,253,714	\$ 8,641,486
42	Apr-Jun	2Q-2025	FY 25 Q4	CY 4Q-2024	\$ 800,109	\$ 1,056,881	\$ 8,641,486	\$ 8,898,259
FY24/25					\$ 6,980,237	\$ 8,995,808	\$ 6,882,688	\$ 8,898,259

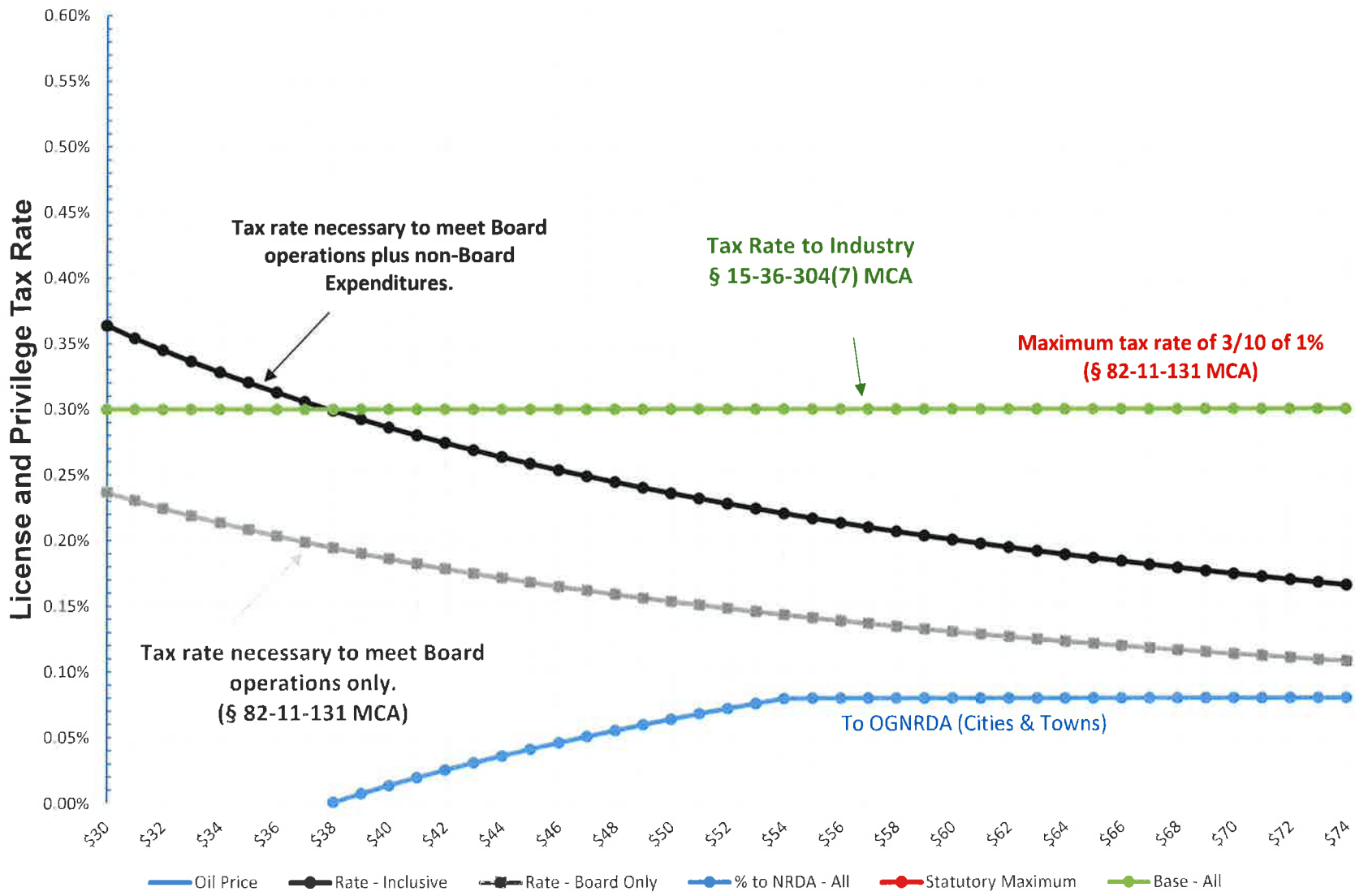
Prices and Production

UPDATE	7/25/2023												
Month	Months	CY	FY	Production Period	DOR Oil	DOR Gas	HJ0002 MT price	EIA -Oil WTI	EIA- Oil W/O.88 Diff	Used	Oil (Bbls)	Gas (mcf)	Actual or Foecast
23	Jul-Sep	3Q-2020	FY 21 Q1	CY 1Q-2020	\$ 39.17	\$ 1.09	\$ 38.66	\$ 54.60	\$ 48.05		5,581,910	9,712,876	actual
24	Oct-Dec	4Q-2020	FY 21 Q2	CY 2Q-2020	\$ 20.39	\$ 0.67	\$ 38.66	\$ 54.60	\$ 48.05		4,121,065	8,076,457	actual
25	Jan-Mar	1Q-2021	FY 21 Q3	CY 3Q-2020	\$ 34.85	\$ 1.15	\$ 52.18	\$ 58.09	\$ 51.12		482,134	9,055,340	actual
26	Apr-Jun	2Q-2021	FY 21 Q4	CY 4Q-2020	\$ 36.57	\$ 1.71	\$ 52.18	\$ 66.19	\$ 58.25		4,583,861	9,003,995	actual
27	Jul-Sep	3Q-2021	FY 22 Q1	CY 1Q-2021	\$ 52.18	\$ 3.79	\$ 52.18	\$ 70.61	\$ 62.14		4,767,483	8,702,747	actual
28	Oct-Dec	4Q-2021	FY 22 Q2	CY 2Q-2021	\$ 61.22	\$ 2.24	\$ 52.18	\$ 77.27	\$ 68.00		4,619,411	8,776,172	actual
29	Jan-Mar	1Q-2022	FY 22 Q3	CY 3Q-2021	\$ 65.90	\$ 3.53	\$ 91.66	\$ 95.18	\$ 83.76		4,729,785	9,406,577	actual
30	Apr-Jun	2Q-2022	FY 22 Q4	CY 4Q-2021	\$ 73.07	\$ 4.62	\$ 91.66	\$ 108.72	\$ 95.67		4,756,354	9,329,143	actual
31	Jul-Sep	3Q-2022	FY 23 Q1	CY 1Q-2022	\$ 90.37	\$ 4.86	\$ 91.66	\$ 93.18	\$ 82.00		4,777,733	8,906,770	actual
32	Oct-Dec	4Q-2022	FY 23 Q2	CY 2Q-2022	\$ 106.24	\$ 6.45	\$ 91.66	\$ 82.79	\$ 72.86		5,170,664	8,960,792	actual
33	Jan-Mar	1Q-2023	FY 23 Q3	CY 3Q-2022	\$ 89.54	\$ 4.86	\$ 77.78	\$ 76.08	\$ 66.95		5,530,676	9,973,805	actual
34	Apr-Jun	2Q-2023	FY 23 Q4	CY 4Q-2022	\$ 80.79	\$ 4.35	\$ 77.78	\$ 73.76	\$ 64.91		5,052,595	9,385,653	actual
35	Jul-Sep	3Q-2023	FY 24 Q1	CY 1Q-2023	\$ 71.87	\$ 5.32	\$ 77.78	\$ 74.43	\$ 65.50	\$ 65.00	5,737,663	9,419,059	actual
36	Oct-Dec	4Q-2023	FY 24 Q2	CY 2Q-2023			\$ 77.78	\$ 74.43	\$ 65.50	\$ 65.00	5,737,663	8,237,583	forecast
37	Jan-Mar	1Q-2024	FY 24 Q3	CY 3Q-2023			\$ 78.08	\$ 78.51	\$ 69.09	\$ 70.00	5,737,663	8,237,583	forecast
38	Apr-Jun	2Q-2024	FY 24 Q4	CY 4Q-2023			\$ 78.08	\$ 78.51	\$ 69.09	\$ 70.00	5,737,663	8,237,583	forecast
39	Jul-Sep	3Q-2024	FY 25 Q1	CY 1Q-2024			\$ 78.08	\$ 78.51	\$ 69.09	\$ 70.00	5,737,663	8,237,583	forecast
40	Oct-Dec	4Q-2024	FY 25 Q2	CY 2Q-2024			\$ 78.08	\$ 78.51	\$ 69.09	\$ 70.00	5,737,663	8,237,583	forecast
41	Jan-Mar	1Q-2025	FY 25 Q3	CY 3Q-2024			\$ 79.82			\$ 70.00	5,737,663	8,237,583	forecast
42	Apr-Jun	2Q-2025	FY 25 Q4	CY 4Q-2024			\$ 79.82			\$ 70.00	5,737,663	8,237,583	forecast

7/25/2023												
Oil and Gas Tax Receipts												
Month	Months	• CY	FY	Prod Receipt	Oil Prod	Gas Prod	Oil \$	Gas \$	Tax	Oil Value	Gas Value	P & L Income
23	Jul-Sep	3Q-2020	FY 21 Q1	CY 1Q-2020	5,581,910	9,712,876	\$ 39.17	\$ 1.09	0.0025	\$ 546,609	\$ 26,468	\$ 573,076
24	Oct-Dec	4Q-2020	FY 21 Q2	CY 2Q-2020	4,121,065	8,076,457	\$ 20.39	\$ 0.67	0.0025	\$ 210,071	\$ 13,528	\$ 223,599
25	Jan-Mar	1Q-2021	FY 21 Q3	CY 3Q-2020	482,134	9,055,340	\$ 34.85	\$ 1.15	0.0025	\$ 42,006	\$ 26,034	\$ 68,040
26	Apr-Jun	2Q-2021	FY 21 Q4	CY 4Q-2020	4,583,861	9,003,995	\$ 36.57	\$ 1.71	0.0025	\$ 419,079	\$ 38,492	\$ 457,572
27	Jul-Sep	3Q-2021	FY 22 Q1	CY 1Q-2021	4,767,483	8,702,747	\$ 52.18	\$ 3.79	0.0025	\$ 621,918	\$ 82,459	\$ 704,377
28	Oct-Dec	4Q-2021	FY 22 Q2	CY 2Q-2021	4,619,411	8,776,172	\$ 61.22	\$ 2.24	0.0025	\$ 707,001	\$ 49,147	\$ 756,147
29	Jan-Mar	1Q-2022	FY 22 Q3	CY 3Q-2021	4,729,785	9,406,577	\$ 65.90	\$ 3.53	0.0025	\$ 779,232	\$ 83,013	\$ 862,245
30	Apr-Jun	2Q-2022	FY 22 Q4	CY 4Q-2021	4,756,354	9,329,143	\$ 73.07	\$ 4.62	0.0025	\$ 868,867	\$ 107,752	\$ 976,619
31	Jul-Sep	3Q-2022	FY 23 Q1	CY 1Q-2022	4,777,733	8,906,770	\$ 90.37	\$ 4.86	0.0025	\$ 1,079,409	\$ 108,217	\$ 1,187,627
32	Oct-Dec	4Q-2022	FY 23 Q2	CY 2Q-2022	5,170,664	8,960,792	\$ 106.24	\$ 6.45	0.0025	\$ 1,373,328	\$ 144,493	\$ 1,517,821
33	Jan-Mar	1Q-2023	FY 23 Q3	CY 3Q-2022	5,530,676	9,973,805	\$ 89.54	\$ 4.86	0.0025	\$ 1,238,042	\$ 121,182	\$ 1,359,224
34	Apr-Jun	2Q-2023	FY 23 Q4	CY 4Q-2022	5,052,595	9,385,653	\$ 80.79	\$ 4.35	0.0025	\$ 1,020,498	\$ 102,069	\$ 1,122,567
35	Jul-Sep	3Q-2023	FY 24 Q1	CY 1Q-2023	5,737,663	9,419,059	\$ 71.87	\$ 5.32	0.0025	\$ 1,030,915	\$ 125,273	\$ 1,156,188
36	Oct-Dec	4Q-2023	FY 24 Q2	CY 2Q-2023	5,737,663	8,237,583	\$ 65.00	\$ 5.00	0.0025	\$ 932,370	\$ 102,970	\$ 1,035,340
37	Jan-Mar	1Q-2024	FY 24 Q3	CY 3Q-2023	5,737,663	8,237,583	\$ 70.00	\$ 4.50	0.0025	\$ 1,004,091	\$ 92,673	\$ 1,096,764
38	Apr-Jun	2Q-2024	FY 24 Q4	CY 4Q-2023	5,737,663	8,237,583	\$ 70.00	\$ 4.50	0.0025	\$ 1,004,091	\$ 92,673	\$ 1,096,764
39	Jul-Sep	3Q-2024	FY 25 Q1	CY 1Q-2024	5,737,663	8,237,583	\$ 70.00	\$ 4.00	0.0022	\$ 883,600	\$ 72,491	\$ 956,091
40	Oct-Dec	4Q-2024	FY 25 Q2	CY 2Q-2024	5,737,663	8,237,583	\$ 70.00	\$ 4.00	0.0022	\$ 883,600	\$ 72,491	\$ 956,091
41	Jan-Mar	1Q-2025	FY 25 Q3	CY 3Q-2024	5,737,663	8,237,583	\$ 70.00	\$ 4.00	0.0022	\$ 883,600	\$ 72,491	\$ 956,091
42	Apr-Jun	2Q-2025	FY 25 Q4	CY 4Q-2024	5,737,663	8,237,583	\$ 70.00	\$ 4.00	0.0022	\$ 883,600	\$ 72,491	\$ 956,091
			FY 22/23		39,404,701	73,441,659				\$ 7,688,295	\$ 798,330	\$ 9,642,814
			FY 24/25		45,901,304	67,082,140				\$ 7,505,867	\$ 703,552	\$ 8,209,419

7/25/2023							
Expenditures							
Month	Months	CY	FY	Disbursements Total	BOGC Budgeted	BOGC Expended	Transfers Total
23	Jul-Sep	3Q-2020	FY 21 Q1	729,839.12	530,636.25	340,202.55	381,834.57
24	Oct-Dec	4Q-2020	FY 21 Q2	541,975.12	530,636.25	381,497.56	160,477.56
25	Jan-Mar	1Q-2021	FY 21 Q3	788,240.02	530,636.25	401,247.68	211,928.34
26	Apr-Jun	2Q-2021	FY 21 Q4	567,920.97	530,636.25	501,656.65	66,063.14
27	Jul-Sep	3Q-2021	FY 22 Q1	953,884.33	516,222.50	553,124.06	388,421.27
28	Oct-Dec	4Q-2021	FY 22 Q2	571,559.11	516,222.50	141,772.00	298,245.11
29	Jan-Mar	1Q-2022	FY 22 Q3	700,428.53	516,222.50	412,684.00	233,759.53
30	Apr-Jun	2Q-2022	FY 22 Q4	728,936.56	516,222.50	535,673.20	188,298.15
31	Jul-Sep	3Q-2022	FY 23 Q1	825,508.75	518,635.00	333,817.58	406,968.07
32	Oct-Dec	4Q-2022	FY 23 Q2	894,784.33	518,635.00	589,417.03	207,602.62
33	Jan-Mar	1Q-2023	FY 23 Q3	567,216.92	518,635.00	371,451.94	180,890.98
34	Apr-Jun	2Q-2023	FY 23 Q4	1,006,561.56	518,635.00	404,935.84	225,816.83
35	Jul-Sep	3Q-2023	FY 24 Q1	1,094,950.75	548,531.50	548,531.50	493,245.00
36	Oct-Dec	4Q-2023	FY 24 Q2	794,950.75	548,531.50	548,531.50	193,245.00
37	Jan-Mar	1Q-2024	FY 24 Q3	794,950.75	548,531.50	548,531.50	193,245.00
38	Apr-Jun	2Q-2024	FY 24 Q4	794,950.75	548,531.50	548,531.50	193,245.00
39	Jul-Sep	3Q-2024	FY 25 Q1	1,100,108.50	551,871.25	551,871.25	493,705.75
40	Oct-Dec	4Q-2024	FY 25 Q2	800,108.50	551,871.25	551,871.25	193,705.75
41	Jan-Mar	1Q-2025	FY 25 Q3	800,108.50	551,871.25	551,871.25	193,705.75
42	Apr-Jun	2Q-2025	FY 25 Q4	800,108.50	551,871.25	551,871.25	193,705.75
			FY 22/23	\$ 6,248,880	\$ 4,139,430	\$ 3,342,876	\$ 2,130,003
			FY 24/25	\$ 6,980,237	\$ 4,401,611	\$ 4,401,611	\$ 2,147,803

Tax Rate vs. Oil Price, FY 24/25 Biennium



RECEIVED

EXHIBIT 3

JUL 19 2023

MONTANA BOARD OF OIL &
GAS CONSERVATION • BILLINGS

AGREEMENT

This Agreement is entered into by and between the Montana Department of Natural Resources and Conservation, Board of Oil and Gas Conservation (“Board”) and Black Gold Energy Resource Development, LLC (“Black Gold”; collectively, “Parties”). The effective date of this Agreement shall be the date it is fully executed, as set forth herein.

RECITALS

WHEREAS, Board Order No. 116-2022 imposed on Black Gold a civil penalty of \$125,000 pursuant to Mont. Code Ann. §§ 82-11-147 and -149, related to a history of violating Board orders at Black Gold’s Indian Mound 1 well site, API #25-083-21377, Section 15, T23N-R55E, Richland County, Montana (“Indian Mound 1 well”);

WHEREAS, Board Order No. 116-2022 required said penalty to be paid in monthly installments of \$10,500 from January through December 2023;

WHEREAS, Black Gold has made all payments due between January and June 2023, and the balance remaining after the June 2023 payment is \$62,000.00; and

WHEREAS, Black Gold desires to reduce the remaining penalty owed and the Board, in exchange, desires to address certain site conditions and increase the amount of the reclamation bond for the Indian Mound 1 well beyond the amount required under Admin. R. Mont. 36.22.1308; and

WHEREAS, Board Order No. 66-2023 was issued following the June 15, 2023 public hearing of the Board to effect this change, subject to execution of this Agreement;

NOW, THEREFORE, pursuant to Board Order No. 66-2023, in consideration of the mutual promises and covenants contained herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Increased reclamation bond.** Black Gold agrees to provide an additional reclamation bond in the amount of \$20,000.00 for the Indian Mound 1 well. This bond is in addition to the \$20,000.00 bond already provided, and will result in a total combined reclamation bond amount of \$40,000.00 for the Indian Mound 1 well. This additional bond, and therefore all bonds, are subject to the same procedures, orders, rules, and statutes that apply to forfeiture or release of statutorily mandated reclamation bonds. Delivery of the additional \$20,000.00 bond is due to the Board at or before the August 9, 2023 business meeting.

2. **Site conditions.** On or before the August 9, 2023 business meeting, Black Gold agrees to take the following actions related to the Indian Mound 1 well site, each subject to the satisfaction and approval of Board staff: (A) demonstrate that the Indian Mound 1 well has mechanical integrity, (B) submit a site diagram showing the contents of each tank, (C) construct any berms required by Board staff on the basis of the site diagram to mitigate fire and environmental hazards, (D) bring vegetation under control at the Indian Mound 1 well site, and (E) remove and dispose of any contaminated soils.

3. **Execution.** This Agreement is not fully executed and binding upon the parties unless and until the bond set forth in Paragraph 1 herein is timely received, this Agreement is

approved by the Board, and the Agreement is signed by both parties. In the event Black Gold timely delivers the bond but this Agreement is not approved by the Board as a whole, the bond will be released and returned to Black Gold and this Agreement shall not in any way be binding upon the parties.

4. **Release.** Black Gold hereby waives all present and future claims that the Board cannot hold, collect, apply, forfeit, or release the bond provided hereunder as it would any other bond.

5. **Decreased penalty.** Pursuant to Board Order No. 66-2023, the Board agrees to exercise its discretion under Mont. Code Ann. § 82-11-147(1)(b) and to reduce the total penalty imposed on Black Gold from \$125,000.00 to \$105,000.00, with \$42,000.00 remaining to be paid. The Board further agrees that monthly payments are suspended as of July 1, 2023 and are not required to be paid for the remainder of the 2023 calendar year (i.e., July, August, September, October, November, and December 2023). Nothing in this Agreement shall be construed as a waiver or limitation on the Board's authority to reimpose or increase these penalties, as permitted by law, in the event of Black Gold's breach of this Agreement.

6. **Future penalties.** Nothing in this Agreement shall be construed as a waiver or limitation on the Board's authority to impose penalties allowed by law against Black Gold related to any violation, not yet known or existing, of a Board order, statute, or regulation.

7. **Entire agreement.** This Agreement constitutes the entire understanding between the Parties regarding the matters described herein. Neither Party has relied on external representations, warranties, or inducements. All prior negotiations, oral or written, are merged in this Agreement.

8. **Successors.** This Agreement shall extend to and be binding upon each party and its successors, representatives, administrators, and assigns.

9. **Counterparts.** This Agreement may be executed in a number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Electronic or e-signatures shall have the same force and effect as wet signatures.

10. **Authority.** The individuals signing this Agreement hereby represent that they are empowered and authorized to sign on behalf of and thereby bind their respective Parties.

11. **Construction.** In the event of any ambiguity or imprecision in regard to the construction of the provisions of this Agreement, such ambiguity or imprecision shall not, as a matter of course, be construed against any of the parties hereto. All provisions of this Agreement shall be construed to effect the manifest intent and purpose of this Agreement.

12. **Acknowledgment.** Each Party agrees and acknowledges that it is fully informed as to the meaning and intent of this Agreement, has had full and sufficient opportunity to consult

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JUL 19 2023

with its own counsel prior to entering into this Agreement, and enters into this Agreement of its own free will and without coercion, intimidation or threat of retaliation.

13. Amendment. This Agreement may not be amended or modified except by written instrument signed by the duly authorized representative of each Party.

14. Headings. The headings of paragraphs herein are designed to facilitate ready reference and shall be disregarded when resolving any dispute concerning the meaning or interpretation of any language contained in this Agreement.

15. Severability. Should any provision of this Agreement be determined to be invalid, illegal, unenforceable, or in conflict with the law, all remaining terms and clauses shall remain in force and shall be fully severable unless doing so tends to materially defeat the manifest intent and purpose of this Agreement.

16. Jurisdiction and venue. This Agreement shall be interpreted and enforced pursuant to Montana law. In the event of litigation concerning this Agreement, venue shall be proper in the Thirteenth Judicial District Court for Yellowstone County, Montana.

17. Waiver. The failure at any time of either Party to insist upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty imposed upon the Parties.

**** SIGNATURE PAGE FOLLOWS ****

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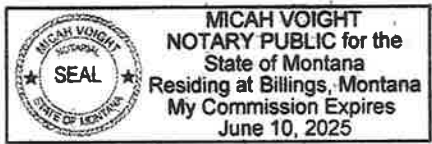
JUL 19 2023

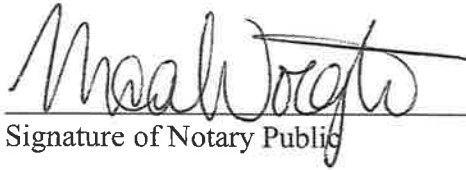
BLACK GOLD ENERGY RESOURCE DEVELOPMENT, LLC:


Chris Blount, President

State of Montana)
County of Yellowstone)
:SS

On this 19th day of July 2023, before the undersigned, a Notary Public for the State of Montana, personally appeared Chris Blount in his capacity as President of Black Gold Energy Resource Development, LLC and executed the foregoing as a free act and deed, for the uses and purposes herein mentioned.




Signature of Notary Public

(SEAL)

MONTANA BOARD OF OIL AND GAS CONSERVATION:

Steven Durrett, Chairman

State of Montana)
County of Yellowstone)
:SS

On this ___ day of _____ 2023, before the undersigned, a Notary Public for the State of Montana, personally appeared Steven Durrett in his capacity as Chairman of the Montana Board of Oil and Gas Conservation and executed the foregoing as a free act and deed, for the uses and purposes herein mentioned.

Signature of Notary Public

(SEAL)

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JUL 19 2023

Davis, Ben

From: CHRIS BLOUNT <cbbges@gmail.com>
Sent: Wednesday, August 9, 2023 10:08 AM
To: ben.jones@mt.gov; Davis, Ben; Gizicki, John
Cc: Don Lee
Subject: [EXTERNAL] Fwd: BGE INDIAN MOUND
Attachments: 20230809_092331.PDF

The first one came back due to a typo on Ben Jones' address!

----- Forwarded message -----

From: CHRIS BLOUNT <cbbges@gmail.com>
Date: Wed, Aug 9, 2023 at 10:00 AM
Subject: RE: BGE INDIAN MOUND
To: <ben.jones@mt.gov>, Gizicki, John <JGizicki@mt.gov>, Davis, Ben <Benjamin.Davis@mt.gov>
Cc: Don Lee <don@leelawofficepc.com>

Gentlemen,

Enclosed is the breakdown of storage tanks and contents per your request.

SWD WELL SITE:			OFF LOAD SITE:		
TANK #	BBL	CONTENTS	TANK #	BBL	CONTENTS
1	300	OIL	1	200	OIL/H2O
2	300	OIL/H2O	2	EMPTY	
3	400	OIL/H2O	3	180	OIL/H2O
4	EMPTY		4	200	OIL/H2O
5	"		5	220	OIL/H2O
6	"		6	200	OIL/H2O
7	20	OIL	7	EMPTY	
8	20	OIL	8	180	OIL/H2O
9	EMPTY		9	220	OIL/H2O
10	"		10	160	OIL/H2O
11	"		11	EMPTY	
12	360	OIL/H2O	12	"	
13	380	OIL/H2O	13	380	OIL/H2O
14	EMPTY		14	200	H2O
			15	380	OIL/H2O
			16	EMPTY	
			17	EMPTY	
			18	380	OIL/H2O
			19	140	OIL
			20	EMPTY	
			21	200	OIL
			22	160	OIL
			23	160	OIL
			24	EMPTY	
			25	340	OIL/H2O
			26	340	OIL/H2O

SWA Location



Off Lead Location

Chris Bieunt - Outlook



Montana Cadastral



4/14/2017



ew tab



Dell



www.bing.com



MONTANA BOARD OF OIL AND GAS CONSERVATION
FINANCIAL STATEMENT

As of 6/30/23

Fiscal Year 2023: Percent of Year Elapsed - 100%

		Budget	Expends	%	Remaining
Regulatory	Personal Services	1,254,273	1,062,496	85	191,777
UIC	Personal Services	274,198	229,740	84	44,458
	Total	1,528,471	1,292,236	85	236,235
Regulatory	Equipment & Assets	46,371	71,282	154	(24,911)
UIC	Equipment & Assets	10,179	15,647	154	(5,468)
	Total	56,550	86,929	154	(30,379)
Regulatory	Operating Expenses:				
	Contracted Services	165,870	73,789	44	92,081
	Supplies & Materials	49,938	43,747	88	6,191
	Communication	58,303	45,830	79	12,473
	Travel	34,276	13,880	40	20,396
	Rent	8,185	816	10	7,369
	Utilities	19,762	14,610	74	5,152
	Repair/Maintenance	33,292	37,369	112	(4,077)
	Other Expenses	23,979	20,863	87	3,116
	Total Operating Expenses	393,605	250,906	64	142,699
UIC	Operating Expenses:				
	Contracted Services	27,432	10,695	39	16,737
	Supplies & Materials	10,962	4,950	45	6,012
	Communication	12,798	9,259	72	3,539
	Travel	7,524	1,365	18	6,159
	Rent	1,797	179	10	1,618
	Utilities	4,338	2,858	66	1,480
	Repair/Maintenance	7,308	7,504	103	(196)
	Other Expenses	5,264	5,670	108	(406)
	Total Operating Expenses	77,423	42,480	55	34,943
	Total	471,028	293,386	62	177,642
Regulatory	Debt Services	15,163	15,163	100	-
UIC	Debt Services	3,329	3,329	100	-
	Total	18,492	18,492	100	-

	Budget	Expends	%	Remaining
Carryforward FY21				
Personal Services	55,270	-	0	55,270
Operating Expenses	55,270	-	0	55,270
Equipment & Assests	55,271	-	0	55,271
Total	165,811	-	0	165,811

Funding Breakout	2023 Total Budget	2023 Total Expends	%
State Special	2,074,541	1,691,043	82
Federal 2023 UIC (10-1-2022 to 9-30-2023)	138,000	138,000	100
Total	2,212,541	1,829,043	83

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT			
	FY 23	FY 22	
Oil & Gas Production Tax	\$ 3,487,090	\$ 4,378,844	
Oil Production Tax	3,095,434	3,920,682	
Gas Production Tax	391,656	458,163	
Drilling Permit Fees	13,225	14,250	
UIC Permit Fees	238,600	237,800	
Interest on Investments	178,888	11,240	
Copies of Documents	519	965	
Miscellaneous Reimbursements	-	16,375	
TOTAL	\$ 3,918,322	\$ 4,659,474	
Account Balance	\$ 7,270,907		

REVENUE INTO DAMAGE MITIGATION ACCOUNT			
	FY 23	FY 22	
RIT Investment Earnings:	-	\$ 318,467	
July	-	-	
August	-	27,126	
September	-	20,838	
October	-	23,519	
November	-	27,779	
December	-	20,564	
January	-	24,103	
February	-	28,189	
March	-	20,008	
April	-	26,853	
May	-	28,372	
June	-	71,115	
Bond Forfeitures:	75,116	150,251	
Interest on Investments	16,848	714	
TOTAL	\$ 91,964	\$ 469,431	
Account Balance	\$ 492,796		

REVENUE INTO GENERAL FUND FROM FINES			FY 23
GAS MANAGEMENT SERVICES LLC	7/12/2022		130
DANIEL WINE	7/14/2022		70
YELLOWSTONE PETROLEUMS INC	7/19/2022		75
BRAINSTORM ENERGY INC	7/21/2022		210
HAWLEY MERRILL	7/21/2022		60
RIM ROCK COLONY INC	7/21/2022		130
MISC OIL CO	7/21/2022		70
R AND A OIL INC	8/3/2022		120
R AND A OIL INC	8/3/2022		120
SONKAR INC	8/3/2022		60
BLACK GOLD ENERGY RICHLAND FACILITY INC	8/19/2022		120
BLACK GOLD ENERGY	8/19/2022		120
MANECKE ANDRIA	8/31/2022		200
BLACK GOLD ENERGY RICHLAND FACILITY INC	8/31/2022		2,000
HAWLEY OIL LLP	9/16/2022		250
HOFFLAND JAMES D	9/16/2022		70
BRANDON OIL / BRANDON BILL	10/19/2022		70
BRAINSTORM ENERGY INC	11/4/2022		210
D&A WATER DISPOSAL LLC / WYRICK DONALD	11/4/2022		180
HAWLEY HYDROCARBONS LLP	12/19/2022		70
SLOHCIN INC	12/22/2022		90
TOWN OF SACO	12/30/2022		60
BLACK GOLD ENERGY	1/4/2023		10,500
MONTANA OIL AND GAS LLC	1/6/2023		130
PAUGH, THEA AND JERRY	1/12/2023		70
BALLANTYNE VENTURES LLC	1/20/2023		140
BOOTSTRAP OIL LLC	1/20/2023		180
HAWLEY HYDROCARBONS LLP	1/20/2023		70
BLACK GOLD ENERGY RICHLAND FACILITY INC	1/25/2023		140
HAWLEY OIL LLP	1/25/2023		500
BLACK GOLD ENERGY	2/10/2023		10,500
RITTER LABER & ASSOCIATES INC	2/17/2023		60
SELECT ENERGY SERVICES	2/27/2023		1,340
FORZA OPERATING LLC	2/27/2023		1,500
WENIGER ARLI	3/3/2023		80
RELENTLESS OIL FIELD INNOVATION	3/8/2023		70
JUSTICE SWD LLC	3/8/2023		70
BLACK GOLD ENERGY INDIAN MOUND	3/8/2023		10,500
WESTERN MEADOWLARK RESOURCES LLC	3/22/2023		300
BIG SKY ENERGY LLC	3/24/2023		1,080
DIAMOND HALO GROUP LLC	3/31/2023		140
BLACK GOLD ENERGY INDIAN MOUND	4/7/2023		10,500
MCOIL MONTANA ONE LLC	4/14/2023		220
CREMER ENERGY INC	4/28/2023		60
COMANCHE DRILLING LLC	5/11/2023		130
BBX OPERATING LLC	5/12/2023		80
WHITE ROCK ENERGY LLC	5/19/2023		5,000
BLACK GOLD ENERGY INDIAN MOUND	5/19/2023		10,500
BOOTSTRAP OIL LLC	5/26/2023		100
RESERVE OPERATING CORP	5/26/2023		140
COLOSSUS OPERATING LLC	6/7/2023		160
BRAINSTORM ENERGY INC	6/9/2023		420
HESLA OIL	6/9/2023		60
HESLA OIL	6/9/2023		60
BLACK GOLD ENERGY INDIAN MOUND	6/19/2023		10,500
TOTAL			\$ 79,785

DAMAGE MITIGATION CONTRACTS

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>	<u>Expiration Date</u>
P&R TOI MT AG Station 28-41 PA Well	\$ 74,891	\$ 74,891	\$ -	Completed	1/31/2023
TOTAL	\$ 74,891	\$ 74,891	\$ -		

FEDERAL ORPHAN WELL PLUGGING CONTRACTS

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>	<u>Expiration Date</u>
CBM PLUG AND RECLAIM WELLS	\$ 253,000	\$ -	\$ 253,000	Under Contract	9/30/2025
GLENDIVE DISTRICT PLUG AND RECLAIM WELLS	791,250	789,850	1,400	Under Contract	9/30/2025
PLENTYWOOD PLUG AND RECLAIM WELLS	3,163,756	329,538	2,834,218	Under Contract	9/30/2025
PLENTYWOOD WEST PLUG AND RECLAIM WELLS	1,393,884	-	1,393,884	Under Contract	9/30/2025
ROUNDUP A PLUG AND RECLAIM WELL	3,408,954	1,746,251	1,662,704	Under Contract	9/30/2025
ROUNDUP B PLUG AND RECLAIM WELL	131,660	-	131,660	Under Contract	9/30/2025
ROUNDUP C PLUG AND RECLAIM WELLS	241,275	-	241,275	Under Contract	9/30/2025
SHELBY 1 PLUG AND RECLAIM WELLS	561,406	-	561,406	Under Contract	9/30/2025
SHELBY 2 PLUG AND RECLAIM WELLS	508,911	-	508,911	Under Contract	9/30/2025
SHELBY 3 PLUG AND RECLAIM WELLS	303,156	-	303,156	Under Contract	9/30/2025
SHELBY 4 PLUG AND RECLAIM WELLS	209,000	-	209,000	Under Contract	9/30/2025
SHELBY H2S PLUG AND RECLAIM WELLS	182,025	-	182,025	Under Contract	9/30/2025
SIDNEY PLUG AND RECLAIM WELLS	1,804,940	455,071	1,349,869	Under Contract	9/30/2025
STATE 8-8 PLUG AND RECLAIM WELL	44,965	-	44,965	Under Contract	9/30/2025
TOI AG STATION RECLAMATION	26,232	-	26,232	Under Contract	9/30/2023
TOTAL	\$ 13,024,414	\$ 3,320,709	\$ 9,703,705		

OPERATING CONTRACTS

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>	<u>Expiration Date</u>
Agency Legal Services 2023	\$ 70,000	\$ 45,948	\$ 24,052	Under Contract	6/30/2023
Billings Janitorial	19,415	17,243	2,172	Under Contract	9/30/2023
Billings Lawn and Snow Removal	24,000	19,059	4,941	Under Contract	9/30/2023
Shelby O&G Lease	110,946	75,505	35,441	Under Contract	5/31/2025
TOTAL	\$ 224,361	\$ 157,755	\$ 66,606		

**Agency Legal Services
Expenditure Breakout**

<u>Case</u>	<u>Amt Spent</u>
BOGC Duties	\$ 22,635
Pheonix Capital	23,313
Total	\$ 45,948

**Montana Board of Oil and Gas Conservation
Summary of Bond Activity**

EXHIBIT 5

6/14/2023 Through 8/9/2023

Approved

HB Oil, LLC Sunburst MT	926 L1	Approved	7/19/2023
		Amount:	\$24,000.00
		Purpose:	Limited Bond
Certificate of Deposit	\$24,000.00	Stockman Bank of Montana	ACT
Texakoma Exploration & Production LLC Plano TX	927 M1	Approved	8/8/2023
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	ACT
Wavetech Helium, Inc. Denver CO	925 L1	Approved	7/5/2023
		Amount:	\$20,000.00
		Purpose:	Limited Bond
Certificate of Deposit	\$20,000.00	FIRST STATE BANK OF SHELBY	ACT

Canceled

Abraxas Petroleum Corporation San Antonio TX	564 M1	Canceled	8/1/2023
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Highlands Montana Corporation Grand Junction CO	807 T1	Canceled	7/11/2023
		Amount:	\$10,000.00
		Purpose:	UIC Single Well Bond
Highlands Montana Corporation Grand Junction CO	807 M1	Canceled	7/11/2023
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond

Forfeited

Mystique Resources Company Aurora CO	653 G1	Forfeited	7/6/2023
		Amount:	\$10,000.00
		Purpose:	Single Well Bond

Letter Sent

Mystique Resources Company Aurora CO	653 G1	Letter Sent	6/23/2023
		Amount:	\$10,000.00
		Purpose:	Single Well Bond

Incident Report

Company	Responsibility	Date	Incident	Oil Released	Water Released	Source	Contained	Latitude	Longitude	County	T-R-S
Denbury Onshore, LLC	FED	6/17/2023	Spill or Release		5 Barrels	Flow Line - Production	No	46.87712	-104.69010	Dawson	13N-55E-13 SESE
Continental Resources Inc	BOG	7/11/2023	Spill or Release	3 Barrels	122 Barrels	Tank or Tank Battery	Yes	48.01126	-104.71039	Richland	26N-54E-14 NENW
Continental Resources Inc	BOG	7/11/2023	Fire	0		Flare Pit	No	47.96842	-104.73720	Richland	26N-54E-34 NWNW
Denbury Onshore, LLC	BOG	7/13/2023	Spill or Release		450 Barrels	Tank or Tank Battery	No	46.41861	-104.31139	Fallon	8N-9E-26 NESW
Denbury Onshore, LLC	BOG	7/18/2023	Spill or Release		25 Barrels	Flow Line - Injection	No	46.63778	-104.46083	Fallon	10N-58E-7 SENE

Docket Summary

8/10/2023 Hearing

81-2023	Grayson Mill Operating, LLC	Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 28N-59E -3: all, 10: all, 15: all, 200' heel/toe setbacks and 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Amend Board Order 305-2012 to clarify that said order is limited to the Stateline 5-1003H well. Amend Board Order 620-2012 to clarify that said order is limited to the Stateline 3-1522H well. Vacate 306-2012 (Exception to drill one additional well, permanent spacing unit, Bakken/Three Forks Formation, 28N-59E-3: all, 10: all, 200' heel/toe, 500' lateral setbacks) and 621-2012 (Exception to drill an additional well, permanent spacing unit, Bakken/Three Forks Formation, 28N-59E-15: all, 22: all, 200' heel/ toe, 500' lateral setbacks).	Continued	<i>Continued to October hearing, email received 7/11/23.</i>	<input type="checkbox"/>
82-2023	Grayson Mill Operating, LLC	Authorize the drilling of up to three additional horizontal wells, overlapping temporary spacing unit, Bakken/Three Forks Formation, 28N-59E -3: all, 10: all, 15: all, 200' heel/toe setbacks and 500' lateral setbacks.	Continued	<i>Continued to October hearing, email received 7/11/23.</i>	<input type="checkbox"/>
83-2023	Grayson Mill Operating, LLC	Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 28N-59E -22: all, 27: all, 34: all, 200' heel/toe setbacks and 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Amend Board Order 106-2014 to clarify that said order is limited to the Stateline 14-3427H well. Amend Board Order 620-2012 to clarify that said order is limited to the Stateline 3-1522H well. Vacate 107-2014 (Authorization to drill an additional Bakken/ Three Forks well in the spacing unit comprised of 28N-59E, 27: all, 34: all; 200' heel/toe, 500' lateral setback) and 621-2012 (Exception to drill an additional well, permanent spacing unit, Bakken/Three Forks Formation, 28N-59E-15: all, 22: all, 200' heel/ toe, 500' lateral setbacks).	Continued	<i>Continued to October hearing, email received 7/11/23.</i>	<input type="checkbox"/>
84-2023	Grayson Mill Operating, LLC	Authorize the drilling of up to three additional horizontal wells, overlapping temporary spacing unit, Bakken/Three Forks Formation, 28N-59E -22: all, 27: all, 34: all, 200' heel/toe setbacks and 500' lateral setbacks.	Continued	<i>Continued to October hearing, email received 7/11/23.</i>	<input type="checkbox"/>
85-2023	Foundation Energy Management, LLC	Amend Order 45-2011, authorize the drilling of up to three horizontal Bakken/Three Forks Formation wells anywhere within the permanent spacing unit, Bakken/Three Forks Formation, 28N-58E-14: all, 23: all, 200' heel/toe, 500' lateral setbacks.			<input type="checkbox"/>
86-2023	Northern Oil Production, Inc.	Exception to Redstone Field rules, Winnipegosis Formation well, 34N-52E-6: Lots 6 and 7, E½SW¼, SE¼ (S½), 200' heel/toe setbacks and 660' lateral setbacks.			<input type="checkbox"/>
87-2023	Bluebird Energy, LLC	Temporary spacing unit, Bakken/Three Forks Formation, 29N-57E-24: all, 25: all, 36: all, 200' heel/toe setbacks and 500' lateral setbacks. Vacate order 519-2012 (Temporary spacing unit, Bakken/Three Forks, 29N-57E-13: all, 24: all; 200' toe/heel and 1320' lateral setbacks. Apply for permanent spacing within 90 days of successful completion) and order 210-2010 (Temporary spacing unit, Bakken Formation, 29N-57E-25: all, 36: all, 660' setback. Permanent spacing within 90 days of completion).			<input type="checkbox"/>

88-2023	Bluebird Energy, LLC	Authorize the drilling of three additional wells, temporary spacing unit, Bakken/Three Forks Formation, 29N-57E-24: all, 25: all, 36: all, 200' heel/toe setbacks and 500' lateral setbacks.			<input type="checkbox"/>
89-2023	Kraken Oil & Gas LLC	Amend Order 63-2022 (Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 26N-59E-6: all, 7: all, 18: all, 200' heel/toe setbacks and 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence by 8/18/2023). Amend that operations must commence by 8/18/2024.			<input type="checkbox"/>
90-2023	Kraken Oil & Gas LLC	Amend Order 65-2022 (Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 26N-59E-19: all, 30: all, 31: all, 200' heel/toe setbacks and 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence by 8/18/2023). Amend that operations must commence by 8/18/2024.			<input type="checkbox"/>
91-2023	Kraken Oil & Gas LLC	Amend Order 67-2022 (Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 26N-59E-20: all, 29: all, 32: all, 200' heel/toe setbacks and 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within by 8/18/2023). Amend that operations must commence by 8/18/2024.	Continued	Error in publication, continued to October	<input type="checkbox"/>
92-2023	Kraken Oil & Gas LLC	Amend Order 69-2022 (Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 26N-59E-19: all, 20: all, 29: all, 30: all, 31: all, 32: all, well at a location proximate to the common boundary between the overlapping temporary spacing unit 26N-59E-19, 30, 31 and overlapping temporary spacing unit 26N-59E-20, 29, 32. Apply for permanent spacing within 90 days of completion. Operations must commence by 8/18/2024). Amend that operations must commence by 8/18/2024.			<input type="checkbox"/>
93-2023	Kraken Oil & Gas LLC	Temporary spacing unit, Bakken/Three Forks Formation, 28N-58E-25: all, 36: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of successful completion. Operations must commence within one year of date of order. Vacate Order 45-2010 (Temporary spacing unit, Bakken Formation, 28N-58E-25: all, 36: all, 660' setback).			<input type="checkbox"/>
94-2023	Kraken Oil & Gas LLC	Authorize the drilling of three additional horizontal wells, temporary spacing unit, Bakken/Three Forks Formation, 28N-58E-25: all, 36: all, 200' heel/toe setbacks and 500' lateral setbacks.			<input type="checkbox"/>
95-2023	Kraken Oil & Gas LLC	Designate overlapping temporary spacing unit, Bakken/Three Forks Formation, 28N-58E-25: all, 36: all and 28N-59E-30: all, 31: all, 200' heel/toe setbacks, well at a location proximate to the common boundary between the temporary spacing unit 28N-58E-25, 36, and permanent spacing unit 28N-59E-30, 31. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. The overlapping temporary spacing unit shall be limited to production from the proposed horizontal well.			<input type="checkbox"/>

96-2023	Kraken Oil & Gas LLC	Temporary spacing unit, Bakken/Three Forks Formation, 24N-59E-6: all, 7: all, 18: all, 19: all, 200' heel/toe setbacks and 500' lateral setbacks. Vacate orders 209-2014 (Partially vacate Order 151-2003 pertaining only to 24N-59E-6: all, 7: all. Temporary spacing unit, Bakken/Three Forks Formation, 24N-59E-6: all, 7: all, 18: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of successful completion. Operations must commence within one year from order date.) and 321-2014 (Amend Order 209-2014 to authorize the drilling of up to 5 horizontal wells, 500' lateral, 200' heel/toe setbacks in temporary spacing unit, Bakken/Three Forks Formation, 24N-59E-6: all, 7: all, 18: all. Apply for permanent spacing within 90 days of successful completion.)		<input type="checkbox"/>
97-2023	Kraken Oil & Gas LLC	Authorize the drilling of three additional horizontal wells, temporary spacing unit, Bakken/Three Forks Formation, 24N-59E-6: all, 7: all, 18: all, 19: all, 200' heel/toe setbacks and 500' lateral setbacks.		<input type="checkbox"/>
98-2023	Hydra MT LLC	Approval to drill, Class II SWD Injection well (Mike 10-1H SWD), Dakota Formation, 25N-58E-10: SW SW.	Default	<input type="checkbox"/>
99-2023	Eagle Operating Inc.	Change of operator of 66 wells from Legacy Reserves Operating LP to Eagle Operating Inc.		<input type="checkbox"/>
100-2023	S&H Energy	Change of operator of 26 wells from Enneberg Oil & Gas to S&H Energy.		<input type="checkbox"/>
101-2023	Wildcat Fluid Solutions LLC	Change of operator of a commercial disposal well (Indian Mound 1, API # 083-21377) from Black Gold Energy Resource Development, LLC to Wildcat Fluid Solutions LLC.		<input type="checkbox"/>
102-2023	Wildcat Fluid Solutions LLC	Change of operator of a commercial disposal well (Velma SWD 1-10H, API # 083-22531) from Black Gold Energy Richland Facility, Inc. to Wildcat Fluid Solutions LLC.		<input type="checkbox"/>
103-2023	New Horizon Resources LLC	Provide an update of its activities including any reduction in abandonment liability by either plugging wells or returning wells to production, as required by Board Order 84-2022.		<input type="checkbox"/>
46-2023	Black Gold Energy Sheridan Facility, Inc.	Change of operator of a commercial disposal well (Sheridan Facility SWD, API # 091-21892) from Cypress Energy Partners - Sheridan SWD, LLC to Black Gold Energy Sheridan Facility, Inc.		<input type="checkbox"/>
52-2023	Heritage Energy Operating, LLC	Temporary spacing unit, Bakken/Three Forks Formation, 28N-57E-3: all, 4: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of successful completion.		<input type="checkbox"/>
57-2023	Kraken Oil & Gas LLC	Permanent spacing unit, Bakken/Three Forks Formation, 25N-59E-29: all, 32: all (Leah 29-32 #1H, Leah 29-32 #2H, Leah 29-32 #3H, and Leah 29-32 #4H).	Continued	<input type="checkbox"/>
			<p><i>OTSU, Order 106-2019 Additional wells, Order 18-2022 Related applications: 57-2023, 58-2023</i></p> <p><i>Continued to October hearing, email received 8/2/23.</i></p>	

58-2023	Kraken Oil & Gas LLC	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-59E-29: all, 32: all (Leah 29-32 #1H, Leah 29-32 #2H, Leah 29-32 #3H, and Leah 29-32 #4H). Non-consent penalties requested.	Continued	<i>Related applications: 57-2023, 58-2023</i>	<input type="checkbox"/>
104-2023	Interstate Explorations, LLC	Provide a plan and timeline for the plugging and abandonment of its inactive wells in Dawson and Wibaux Counties, Montana.		<i>Continued to October hearing, email received 8/2/23.</i>	<input type="checkbox"/>
105-2023	Brandon Oil Company	Show Cause: why it should not begin to plug and abandon its Turner 13-22 well (API #101-22965) and Tordale 42-21 well (API #101-22755), located in Toole County, Montana, prior to the August 10, 2023, public hearing. Failure to begin to plug and abandon the wells 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.			<input type="checkbox"/>

ALL APPLICATIONS, 8/10/2023

(In Order of Publication)

Docket	Applicant / Respondent	Status	Request
81-2023	Grayson Mill Operating, LLC	Continued	Temp. Spacing; Vacate Order
82-2023	Grayson Mill Operating, LLC	Continued	Well Density
83-2023	Grayson Mill Operating, LLC	Continued	Temp. Spacing; Vacate Order
84-2023	Grayson Mill Operating, LLC	Continued	Well Density
85-2023	Foundation Energy Management, LLC		Well Density
86-2023	Northern Oil Production, Inc.		Except - Spacing; Temp. Spacing
87-2023	Bluebird Energy, LLC		Temp. Spacing; Vacate Order
88-2023	Bluebird Energy, LLC		Well Density
89-2023	Kraken Oil & Gas LLC		Temp. Spacing
90-2023	Kraken Oil & Gas LLC		Temp. Spacing
91-2023	Kraken Oil & Gas LLC	Continued	Temp. Spacing
92-2023	Kraken Oil & Gas LLC		Temp. Spacing
93-2023	Kraken Oil & Gas LLC		Temp. Spacing; Vacate Order
94-2023	Kraken Oil & Gas LLC		Well Density
95-2023	Kraken Oil & Gas LLC		Temp. Spacing
96-2023	Kraken Oil & Gas LLC		Temp. Spacing; Vacate Order
97-2023	Kraken Oil & Gas LLC		Well Density
98-2023	Hydra MT LLC	Default	Class II Permit
52-2023	Heritage Energy Operating, LLC		Temp. Spacing
57-2023	Kraken Oil & Gas LLC	Continued	Spacing
58-2023	Kraken Oil & Gas LLC	Continued	Pooling
99-2023	Eagle Operating Inc.		Change of Operator
100-2023	S&H Energy		Change of Operator
101-2023	Wildcat Fluid Solutions LLC		Change of Operator
102-2023	Wildcat Fluid Solutions LLC		Change of Operator
46-2023	Black Gold Energy Sheridan Facility, Inc.		Change of Operator
103-2023	New Horizon Resources LLC		Other
104-2023	Interstate Explorations, LLC		Show-Cause
105-2023	Brandon Oil Company		Show-Cause

APPLICATIONS TO HEAR, 8/10/2023

(In Order of Hearing)

Docket	Applicant	Status	Request
85-2023	Foundation Energy Management, LLC		Well Density
86-2023	Northern Oil Production, Inc.		Except - Spacing; Temp. Spacing
87-2023	Bluebird Energy, LLC		Temp. Spacing; Vacate Order
88-2023	Bluebird Energy, LLC		Well Density
89-2023	Kraken Oil & Gas LLC		Temp. Spacing
90-2023	Kraken Oil & Gas LLC		Temp. Spacing
92-2023	Kraken Oil & Gas LLC		Temp. Spacing
93-2023	Kraken Oil & Gas LLC		Temp. Spacing; Vacate Order
94-2023	Kraken Oil & Gas LLC		Well Density
95-2023	Kraken Oil & Gas LLC		Temp. Spacing
96-2023	Kraken Oil & Gas LLC		Temp. Spacing; Vacate Order
97-2023	Kraken Oil & Gas LLC		Well Density
52-2023	Heritage Energy Operating, LLC		Temp. Spacing
99-2023	Eagle Operating Inc.		Change of Operator
100-2023	S&H Energy		Change of Operator
101-2023	Wildcat Fluid Solutions LLC		Change of Operator
102-2023	Wildcat Fluid Solutions LLC		Change of Operator
46-2023	Black Gold Energy Sheridan Facility, Inc.		Change of Operator
103-2023	New Horizon Resources LLC		Other
104-2023	Interstate Explorations, LLC		Show-Cause
105-2023	Brandon Oil Company		Show-Cause

DEFAULT DOCKET, 8/10/2023

Docket	Applicant	Status	Request
98-2023	Hydra MT LLC		Class II Permit

Flaring Requests

Summary

There are four wells flaring over 100 MCFG per day based on current production numbers. Three of the four have approved exceptions.

There is one exception requested at this time.

Continental Resources, Inc.

Grindland 34X-25C – API #25-085-21819, 28N-57E-25

- Flaring 112 MCF/D.
- Completed: 2/2013.
- Has not been connected due to surface use agreement issue.
- Had one exception request approved 12/2013 and has been under the 100 mcf/day limit since then. A new BHA was recently installed increasing the amount of gas produced from the well.
- Estimated cost of marketing the gas: NA
- Flaring alternatives: None.
- Amount of gas used in lease operations: None.
- Justification to flare: Continental is actively working with OneOK and the surface owner to obtain a SUA and lay pipeline to the well.

Inactive Wells 8/9/2023 Current Actions				
CoName	Total_Wells SI	Last_Inj-Prod	Actions	Recommendations
Grassy Butte LLC	2		Kesterson 5 need landowner water right and landowner agreement release.	email sent on 2/10/2023, No Response as of 8/9/2023
Rimrock Oil Company	1	1/31/2003	Reporting caught up, bonded operator working on selling well in 2023	Communication to begin in September 2023 for status update
Midway Energy, LLC	11	4/15 wells producing or injecting	Operator has indicated two wells have returned to production, no sundry filed stating so.	See attached spreadsheet for timelines of plugging.
Omimex	23	0 producing	Working Montalban on Plugging and Abandoning wells.	Monitor
Yellowstone Petroleums	14	9/38 producing	Letter sent to Operator in Canada on 6/19/2023. Reponse received. See attached emails from Charlie Lock to State Lands and MBOGC Ben Davis.	Operator has been in communications with staff. Unclear of plans for wells at this time. Recommend communications and monitor through October. Operator continues as is, bring to hearing for show cause in December 2023.
Noah Energy, Inc.	5	1 Inj, 4 Oil	Nothing for injection well reported since 2018. All Oil wells Shut-In	Send certified mail per ARM 36.22.1303(1) on 6/19/2023. Response received, Operator plans to put wells on production and injection. See letter from Bill Paddock.
Delphi International	3	3	Operator response to wells, working on getting 1 operational, 2 working on plugging plans with Chief Field inspector.	Operator working with Chief Field Inspector for plugging plans
Total Wells	59			

Operators under Show Cause 8/9/2023

CoName	Total_Wells	Last_Inj-Prod	Actions
Brandon Oil Company	2	0 Producing	<p>Certified Letter sent on 11/10/2022. Response received. Plan to plug wells in 2023. \$10,000 blanket bond covering the two wells. Letter received 2/13/2023 stating operator is not financially able to comply.</p>
Interstate Exploration, LLC	3	N/A	<p>Monitoring 3 Spud wells up to the February 2023 Business Meeting. Waiting on contact from operator for plans of well. Certified letter sent 5/22/2022. Contact made on 10/7/2022, with no response since that time. Email sent 11/29/2022 Keith Atwood for intents to P/A by Feb 1,2023. Certified letter to be sent on 1/6/2023 for plans. 1/29/2023 Letter in response to operations.</p>

In Bond Forfeiture

Emailed 5/26/2023 for status update no response.

Operators responded with Updates as of 8/9/2023

CoName	Total_Wells	Last_Inj-Prod	
Beartooth Energy, LLC	4	9/30/2014	Certified Letter sent on 11/10/2022 regarding 2 wells. Response received. Plans to plug 2 wells, sell other 2. 1 Fed well bond, 2 single well bonds of \$10,000, and 1 single well bond of \$5,000. Contacted 6/12/2023 to see plans to plug this fall 2023. Operator working on pluggin wells as of 7/31/2023.
Cypress Energy Partners .	1	7/31/2013	Certified Letter sent on 11/10/2022. Response received. Request T/A status as operator has multiple parties interested in purchase. Single well bond of \$10,000.
Harvest Time Oil, Inc.	1		Family member wants to bond well domestically around January 2023, no bond received as of 8/9/2023
Hofland, James D.	5	4 Wells Shut-in for more than 2 years	Certified letter sent on 9/12/2022 to P&A wells. Contact from Kym Hofland has limited intent to get wells up and running at this time. Email sent on 11/29/2022 asking for plans and timelines for well work to be done. Initiate contact week of 12/12/2022 with deadline of next business meeting to fulfill request. 1/16/2023 update given staff recommends continuous monitoring through May 2023 and ask for an update again on locations. 3-\$1500 individual well bonds an 1-\$3000 well bond covering 2 wells. Email dated 12/13/2022 indicating letter to be sent to BOGC on updated plans for wells. No communications from operator, plan to communicate in August 2023.
T.W.O. Operating (Taylor Well Operating)	11	2 oil wells producing at this time	11 Gas wells SI, 8/26/2020 received Intent to Abandon from Operator. No Followup at this time. Certified Letter sent 1/9/2023 for timeline of plugging wells. TWO phone conversation 1/25/2023 waiting on services. No communications, plan to communicate in August 2023.

API #	CoName	Well_Nm	WI_Status	Well_Type	County	Field	Planned Action
25-095-21150-0000	Midway Energy, LLC	Keller 3	Temporarily Abandoned	Injection, EOR	Stillwater	Dean Dome	Plan to Plug October 2023
25-095-05015-0000	Midway Energy, LLC	Kennedy-Bahr 1	Shut In	Gas	Stillwater	Dean Dome	Plan to Plug October 2023
25-095-21141-0000	Midway Energy, LLC	Bar B 1	Shut In	Oil	Stillwater	Dean Dome	Plan to Plug in October 2023
25-009-21301-0000	Midway Energy, LLC	Hunt Creek 1-H	Temporarily Abandoned	Dry Hole	Carbon	Wildcat Carbon	Plan to Plug in Spring 2024
25-095-05012-0000	Midway Energy, LLC	J. Orr 1	Shut In	Gas	Stillwater	Dean Dome	Plan to Plug Spring 2025
25-095-21170-0000	Midway Energy, LLC	Rickman 1	Shut In	Gas	Stillwater	Dean Dome	Plan to Plug Spring 2025
25-095-05010-0000	Midway Energy, LLC	Tyler Orr 2	Shut In	Gas	Stillwater	Dean Dome	Plan to Plug Spring 2025
25-009-21297-0000	Midway Energy, LLC	ECA Foothills 1-H	Shut In	Oil	Carbon	Mackay Dome	Shut in, currently working on surface equipment to RTP Aug 2023
25-065-21091-0000	Midway Energy, LLC	Burlington Northern 4-3	Completed	Water Source	Musselshell	Willow Creek, North	Currently working with surface owner to take over ownership of well to use as water source well
25-095-21275-0000	Midway Energy, LLC	ECA Federal 1-H	Producing	Oil	Stillwater	Mackay Dome	Active Oil Producer
25-095-21279-0000	Midway Energy, LLC	ECA Federal 2-H	Producing	Oil	Stillwater	Mackay Dome	Active Oil Producer
25-095-21280-0000	Midway Energy, LLC	ECA Federal 3-H	Shut In	Oil	Stillwater	Wildcat Stillwater	Well is plugged as per BLM standards as of 7/21/2023
25-009-21299-0000	Midway Energy, LLC	ECA Foothills 2-H	Shut In	Oil	Carbon	Mackay Dome	Active Oil Producer
25-009-21300-0000	Midway Energy, LLC	Foothills 6D	Active Injection	Injection - Disposal	Carbon	Wildcat Carbon	Active Disposal
25-095-21283-0000	Midway Energy, LLC	Foothills 9-H	Producing	Oil	Stillwater	Mackay Dome	Active Oil Producer

Yellowstone Petroleum Inc.

8620 A
Yellowstone Petroleums, Inc. Wells SI %
/ Well 38 27 71%

U1	UIC Limited Bond	\$13,000	\$6,500.00	2	1	50%
B1	Blanket Bond	\$25,000	\$694.44	36	26	72%

SI Two to Five Years	SI Five to Ten Years	SI Greater than Ten Years	Total
2	12	13	27

8620/B1 Blanket Bond										Last Non-Zero	
8620	B1	073-21535	BANKA 6-7	27N-2W-7	SW SE NW	2310 FNL, 1575 FWL	SI	OIL	10/31/2017	?	
8620	B1	073-21552	BANKA 11-7	27N-2W-7	SW NE SW	1650 FSL, 1650 FWL	SI	OIL	10/31/2017	?	
8620	B1	073-21621	State 5-16	27N-2W-16	NE SW NW	1650 FNL, 990 FWL	TA	OIL	2/28/2007	?	
8620	B1	073-21624	State 11C-16	27N-2W-16	SW NE SW	1725 FSL, 1650 FWL	TA	OIL	9/30/2006	Abandon	
8620	B1	073-21520	DENZER 7-21	27N-2W-21	SW SW NE	2310 FNL, 2310 FEL	SI	OIL	3/31/2007	Abandon	
8620	B1	073-21521	DENZER 8-21	27N-2W-21	NW SE NE	1650 FNL, 990 FEL	SI	OIL	12/31/2006	Abandon	
8620	B1	073-21522	Denzer 2-21	27N-2W-21	SW NW NE	990 FNL, 2310 FEL	SI	OIL	1/31/2020	?	
8620	B1	073-21544	OIEN 6-21-27-2W	27N-2W-21	NW SE NW	1650 FNL, 1650 FWL	SI	OIL	-----	Abandon	
8620	B1	073-21622	Denzer 3-21	27N-2W-21	NE NE NW	330 FNL, 2310 FWL	TA	OIL	9/30/2006	Abandon	
8620	B1	101-05407	George 2X	34N-2W-8	SW SW SE	243 FSL, 2420 FEL	SI	OIL	1/31/2015	} Produced summer 2022	
8620	B1	101-05390	George 1	34N-2W-8	SE SW SE	330 FSL, 1650 FEL	SI	OIL	9/30/2006		
8620	B1	101-60265	George 3	34N-2W-8	W2 SW SE	660 FSL, 2420 FEL	SI	OIL	3/31/2015		
8620	B1	101-22297	George 10-8	34N-2W-8	SE NW SE	1540 FSL, 1540 FEL	SI	OIL	3/31/2015		
8620	B1	101-05384	George 4-X	34N-2W-8	E2 SW SE	650 FSL, 1540 FEL	SI	OIL	3/31/2015		
8620	B1	101-05710	Blumberg 4	35N-3W-32	SE NE NE	1100 FNL, 220 FEL	SI	OIL	6/30/1998	Abandon	
8620	B1	101-05715	Blumberg 5	35N-3W-32	W2 NW NE	660 FNL, 2420 FEL	SI	OIL	9/30/2006	Abandon	
8620	B1	101-05728	Blumberg 3	35N-3W-32	NE NW NE	330 FNL, 1650 FEL	SI	OIL	2/29/2016	} Produced 2023	
8620	B1	101-05734	Blumberg 2	35N-3W-32	NW NW NE	220 FNL, 2420 FEL	SI	OIL	2/29/2016		
8620	B1	101-21922	Blumberg Cox 1	35N-3W-32	NE SE NE	1540 FNL, 220 FEL	SI	OIL	7/31/2016	} Produced 2023	
8620	B1	101-22298	Blumberg 8-32	35N-3W-32	NW SE NE	1650 FNL, 1100 FEL	SI	OIL	7/31/2016		
8620	B1	101-05709	Thumm 3	35N-3W-33	NW NW	1100 FNL, 660 FWL	SI	OIL	9/30/2014		Abandon
8620	B1	101-05712	Thumm 1	35N-3W-33	SW NW NW	1100 FNL, 220 FWL	SI	OIL	5/31/2007	Produced	
8620	B1	101-05732	Thumm 2	35N-3W-33	NW NW NW	220 FNL, 220 FWL	SI	OIL	8/31/2016	2023	
8620	B1	035-07184	Essex-Thompson 1	37N-5W-11	SE SW	330 FSL, 2310 FWL	SI	OIL	10/31/1986	Abandon	
8620	B1	101-21802	MYHRE 3-25	32N-3E-25	S2 NE NW	990 FNL, 1980 FWL	SI	GAS	12/31/1988	Abandon	
8620	B1	009-21189	Pierce Harding 10-13R	4S-24E-13	NW SE	1570 FSL, 1990 FEL	AU	GAS	-----	No record	
8620/U1 UIC Limited Bond										Last Non-Zero	
8620	U1	073-21469	State 14-16	27N-2W-16	SE SW	660 FSL, 2310 FWL	IA	SWD	3/31/2020		

Davis, Ben

From: charlesblocke@aol.com
Sent: Monday, July 31, 2023 4:20 PM
To: Davis, Ben
Cc: Mary-Jo Hunt
Subject: Fw: [EXTERNAL] Yellowstone Petroleum: George (Lease unit 3033) Operator 8620, and State Lease 27N 2W section 16
Attachments: Schedule A - YPI Well List - June 2023.pdf; 2023.07.31 - Attachment to Ben Davis Email dated July 31, 2023.pdf

Ben; Thanks for your immediate reply below to my July 27th e-mail.

As a result of this (these) bump in the road with respect to our various operations in Montana, I have been spending a considerable amount of time on areas of our business that are distinctly very marginal. Last week I noted on our Sept. 2022 REPORT OF PRODUCTION we sold 205 bbls of oil and made an inventory adjustment of 11 bbls. This tweaked my curiosity with respect to how this was possible as I paid the new pumper our agreed upon share of production for the summer as a result of his selling one tank (205 barrels) and not producing any oil? So, I gave him a call and asked him to send me a letter relating to the activity of the lease since he was engaged in June of 2022. I have attached a copy of his response, and the notes I took during my conversation with him on July 27th.

The bottom line is that our accounting department did not account for the minor production from the George lease during July, August, and September last summer as the pumper did not file monthly reports (my fault for not following up although I did advise my accounting dept. of our arrangement with him).

I will have my accounting department file amending reports for the production from last summer and ensure that they file accurate reports for this summer.

I was pleased to note from your e-mail that you will be submitting a report to the business meeting on August 9th. Please update your report to reflect the attached. We will also provide an update on the State and Denzer leases as we have had a contractor on site recently determining what has to be done to reinstate production subject to Yellowstone's making appropriate arrangements with the State to continue the lease. He is also confirming the inventory of oil on site and is in the process of draining/injecting/storing water and presumably will be able to sell same forthwith.

Charlie Locke
403-921-9556

----- Forwarded Message -----

From: Davis, Ben <benjamin.davis@mt.gov>
To: charlesblocke@aol.com <charlesblocke@aol.com>
Cc: Mary-Jo Hunt <maryjo.lsb@gmail.com>
Sent: Friday, July 28, 2023 at 10:14:12 a.m. MDT
Subject: RE: [EXTERNAL] Yellowstone Petroleum: George (Lease unit 3033) Operator 8620, and State Lease 27N 2W section 16

Charlie,

After going through the documents a second time MBOGC cannot recognize George well leases as producing with oil being shipped when operator reports 0 on production. It is the operators responsibility to maintain records of what wells produced and allocate production to.

For the Blumberg wells production reported through April of this year shows zero production. According to your list it says is have produced in 2023. If so please provide to me the production reports from May or June of 2023 as the deadline for June production is approaching next week. Same applies to the Thumm wells.

As for the abandoned wells on the attached list please provide us with a timeline of plugging for these wells.

As of now the report to the board at the business meeting August 9th, 2023 will not change from the records you have provide us with.

Please submit any other supporting documents to MBOGC prior to August 9th meeting.

Regards,

Ben Davis

Technical Program Coordinator

DNRC-Montana Board of Oil and Gas Conservation

From: charlesblocke@aol.com <charlesblocke@aol.com>

Sent: Thursday, July 27, 2023 2:00 PM

To: Davis, Ben <Benjamin.Davis@mt.gov>

Cc: Mary-Jo Hunt <maryjo.lsb@gmail.com>

Subject: [EXTERNAL] Yellowstone Petroleum: George (Lease unit 3033) Operator 8620, and State Lease 27N 2W section 16

Ben;

Thanks for returning my call, which I recollect being on Monday July 24th. This related to my letter of July 6th, 2023 and our recent challenges in the last few years with our Montana properties/wells/leases.

In our call, I indicated that we would send you a copy of the information we sent the Board of Oil and Gas Conservation with respect to production from the George lease in Toole County and the Denzer and State leases just south of Conrad.

My assumption was that the e-mails and information therein sent to me by my operator of the Denzer and State leases was correct. Now, after reviewing the various Reports of Production for a few months representing last summer on the above leases, I am questioning their accuracy.

Nevertheless, I have attached the report for the George lease for Sept 2022 which shows we shipped 205 barrels of oil in September. I believed at the time that my operator for that field had the wells in that field on pump for the summer, but, I note that my office indicated to the Board that the lease was shut in, so the question arises "Where, How, and When was this oil produced?"

Same goes for the State lease for which a different operator, whom I complained about in my July 6th letter, reported that the inventory was "spilled" due to a leak in the Gunbarrel.

Ben; this seems to be a lot of work for both of us for some very marginal wells/production!

I have also enclosed copies of a few e-mails relating to the above that caused me to make the above assumptions.

With Apologies:

Charlie Locke, Yellowstone Petroleums Inc.

Davis, Ben

From: Winfield, Zack
Sent: Thursday, August 3, 2023 1:11 PM
To: charlesblocke@aol.com
Cc: Davis, Ben; Mary-Jo Hunt
Subject: RE: [EXTERNAL] Fw: Yellowstone: State and George leases

Charlie,

Your state lease was canceled June 22nd 2023 after 3 consecutive years of shut-in applications being granted. Your request for re-instatement was denied on July 11th, 2023.

Upon the sale of the state lease oil, the Department expects to be compensated for our royalty.

As stated in my previous email. You may nominate the tract for the December lease sale. The deadline for nomination is September 19th, 2023. If you don't nominate the tract, the Department will.

The successful bidder will be awarded a new lease with a primary term of 10 years. If that successful party is Yellowstone Petroleums, you may resume operation as you see fit. If it is anyone else, they will have the option of assuming the plugging liability and the production of the wellbore (they do not have to). Until that point, Yellowstone Petroleums is the bonded operator and retains the plugging liability.

Let me know if you have any further questions regarding the wells on State Trust Lands.

Thanks,

Zack Winfield

Petroleum Engineer, PE
406-444-9518

From: charlesblocke@aol.com <charlesblocke@aol.com>
Sent: Thursday, August 3, 2023 12:21 PM
To: Winfield, Zack <Zackary.Winfield@mt.gov>
Cc: Davis, Ben <Benjamin.Davis@mt.gov>; Mary-Jo Hunt <maryjo.lsb@gmail.com>
Subject: [EXTERNAL] Fw: Yellowstone: State and George leases

Dear Zack,

Please see below and attached. We had an incorrect email for you.

Thanks,
Charlie

----- Forwarded Message -----

From: charlesblocke@aol.com <charlesblocke@aol.com>
To: Ben Davis <benjamin.davis@mt.gov>; zackary.winfield@mt.gov <zackary.winfield@mt.gov>
Cc: Mary-Jo Hunt <maryjo.lsb@gmail.com>
Sent: Thursday, August 3, 2023 at 11:51:29 a.m. MDT
Subject: Yellowstone: State and George leases

Gentlemen;

RE: One last piece of info regarding the State Lease. We spent \$57,000 last year preparing lease for resumption of production.

State Lease:

Zack; We have sent voluminous info relating to our challenges with respect to finding a suitable pumper for the State lease. The last bit of info I am sending (attached) is a copy of our General ledger outlining the considerable expenses we incurred during 2020, 2021, and 2022 in our attempts to resume production after shutting the lease down due to low oil prices in March of 2020. As you can see, these costs and then having to deal with the challenges of Covid and restrictions on travel from Canada to the U.S., complicated matters even further.

Indeed, the electrical challenges we incurred last year, and in 2020, apparently have not been solved and the contractor we hired earlier this summer to sort the mess out has indicated to me that the "shorts" that are preventing power from reaching the pump-jacks, are still occurring. These have prevented us from turning on the wells. this year.

With the uncertainty on the future of the lease, we have asked him to cease work other than selling the oil in inventory.

Well abandonment's and the George Lease:

Ben: Again, we have sent you much information relating to the George lease dealing with inaccurate Reports of Production as well as a large amount of information attached to our letter of July 6th, 2023 dealing with our plans to abandon the non-productive wells we "inherited" from Yellowstone when it became insolvent in the 1970's and then repossessed from Kassa Oil and Gas in the early 1980's.

You will note that in the last paragraph of my July 6th, 2023 letter that I qualified my commitment to abandoning a large number of wells that have been unproductive for many years. The last sentence of that letter reads:

"I look forward to working with them (members of the Department, including Gary Klotz) , subject to the State leases being extended , and initiating the abandonment of the wells on your list that are not capable of production".

In our letter of last week, we indicated that our inventory had been overstated for years. Your prompt reply was appreciated.

Ben and Zack; As it now looks as if the State lease will, or already has been, cancelled, despite our considerable efforts and expenses, both last year and this year, to reinstate production, and my misunderstanding of the very abbreviated term of the shut-in application, Yellowstone will not be able to meet its obligations with respect to well abandonment's as its source of revenue (funding) for these abandonment's will or has been eliminated.

As I have indicated before, Yellowstone has successfully operated in the State for over 40 years with the only "glitches" occurring in the last few. And, in my 55+ years of being in business in Canada we, and the companies we own and operate, have never defaulted on a commitment or an invoice. So, again, it is very difficult to have to pass this news on to you, and for me, personally, to admit defeat!

Yellowstone Petroleums Inc.
Charlie Locke

July 20, 2023

Mr. Benjamin Davis,

My apologies for taking so long to get this letter to you. I was court appointed as the medical guardian for a near and dear friend in Billings that suffered a catastrophic health event. The majority of my time has been spent traveling back and forth from Riverton, Wyoming to Billings and handling his affairs.

I am referencing your letter of June 20, 2023. All the wells in Montana in Teton County are ready to go on production. All five of the wells are new wells that have had acid jobs and clean-out runs made.

The Spring Hill 14-34 did go back on production last month and this month. It appears that an additional clean-out run is necessary. We have scheduled a rig and crew for August.

The Rockport 16-19 well is ready to go on production. We (Noah Energy, Inc. Montana) are in the process of lining-up construction crews to complete the location battery and electrical work; as well as purchase a pumping unit.

The Spring Hill 13-34 has been completed and has tubing, pump and rods in the hole. We are negotiating for an entire surface battery with four tanks, 6 x 20 treater, and a pumping unit at this time.

The Rockport 14-19 well is currently waiting for the arrival of a service unit. We have filed a sundry notice to perforate a second zone up hole for potential oil production out of the Madison formation. When the service unit arrives for the Spring Hill 14-34 work, perforating and evaluation is scheduled for this well.

The Bynum North 7-34 well is a water disposal well that we plan to utilize once we have the wells on production. The "pump-in" test has been completed with the state and the casing integrity test remains to be completed.

All this work would have and should have been completed quite some time ago. Noah Energy, Inc. Montana had negotiated financing for all our work but the "covid" problem also caught small investors along the way. Signed contracts had been instituted but cancelled before money changed hands. Now it looks as though we have finally put a program back together. I expect that we will have a service unit back on the wells by the middle to the end of August.

I sincerely appreciate your time and patience. We will expedite our program as quickly as possible to get these wells up and running. Again, thanks for your time and patience.

Wm. E. Paddock

President

Noah Energy, Inc. Montana

**MONTANA DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION**

BOARD OF OIL AND GAS CONSERVATION

2535 St. Johns Avenue, Billings, MT 59102 (406) 656-0040

ACTIVITIES:**6/16/2023 To 8/9/2023****New Locations:**

Blaine Wildcat 005-23846
Behm Energy, Inc. Flynn 3-27-35-20
SHL: NW SE 27-35N-20E (1720 FSL/1720 FEL) EL 2815' GR 32822
Proposed Depth: 4495' (Sawtooth)
Approved: 06/21/2023

Liberty Whitlash 051-21849
MCR, LLC Townsend 10-21
SHL: NW SE 21-37N-4E (2207 FSL/1650 FEL) EL 3917' GR 32821
Proposed Depth: 2000' (Swift)
Approved: 06/22/2023

New Locations - Horizontal Wells:

Carbon Dry Creek 009-21304
NorthWestern Corporation Corsair Dry Creek Storage 2-3
SHL: NW NE 3-7S-21E (359 FNL/2322 FEL) EL 4397' GR 32833
PBHL: 7500' NE SE 3-7S-21E (2315 FSL/1175 FEL) Frontier
Approved: 07/21/2023

Richland Wildcat 083-23449
Kraken Operating, LLC Kennedy 16-21 1H
SHL: SE SW 9-25N-58E (495 FSL/1750 FWL) EL 2139' GR 32844
PBHL: 20823' SW SW 21-25N-58E (205 FSL/660 FWL) Bakken
Approved: 07/27/2023

Richland Wildcat 083-23450
Kraken Operating, LLC Kennedy 16-21 2H
SHL: SE SW 9-25N-58E (495 FSL/1783 FWL) EL 2139' GR 32845
PBHL: 20743' SE SW 21-25N-58E (205 FSL/1980 FWL) Bakken
Approved: 07/27/2023

ACTIVITIES:**6/16/2023 To 8/9/2023****New Locations - Horizontal Wells:**

Richland Wildcat 083-23451
Kraken Operating, LLC Kennedy 16-21 3H
SHL: SE SW 9-25N-58E (495 FSL/1816 FEL) EL 2139' GR 32846
PBHL: 20906' SW SE 21-25N-58E (205 FSL/1981 FEL) Bakken
Approved: 07/27/2023

Richland Wildcat 083-23452
Kraken Operating, LLC Kennedy 16-21 4H
SHL: SW SW 10-25N-58E (404 FSL/934 FWL) EL 2203' GR 32847
PBHL: 20999' SE SE 21-25N-58E (205 FSL/660 FEL) Bakken
Approved: 07/27/2023

Richland Wildcat 083-23453
Kraken Operating, LLC Verrene 15-22 2H
SHL: SW SW 10-25N-58E (404 FSL/967 FWL) EL 2203' GR 32848
PBHL: 20835' SW SW 22-25N-58E (205 FSL/660 FWL) Bakken
Approved: 07/27/2023

Richland Wildcat 083-23454
Kraken Operating, LLC Verrene 15-22 3H
SHL: SW SW 10-25N-58E (404 FSL/1000 FWL) EL 2203' GR 32849
PBHL: 20901' SE SW 22-25N-58E (205 FSL/1980 FWL) Bakken
Approved: 07/27/2023

Roosevelt Wildcat 085-22036
Kraken Operating, LLC Willard 18-7-6 3H
SHL: NW NE 19-28N-59E (445 FNL/1373 FEL) EL 2214' GR 32829
PBHL: 26107' NW SW 6-28N-59E (205 FNL/561 FEL) Bakken
Approved: 07/20/2023

Roosevelt Wildcat 085-22037
Kraken Operating, LLC Willard 18-7-6 2H
SHL: NW NE 19-28N-59E (205 FNL/1881 FEL) EL 2214' GR 32830
PBHL: 26074' NW NE 6-28N-59E (205 FNL/1881 FEL) Bakken
Approved: 07/20/2023

Roosevelt Wildcat 085-22038
Kraken Operating, LLC Wilde 19-30-31 2H
SHL: NW NE 19-28N-59E (445 FNL/1439 FEL) EL 2214' GR 32831
PBHL: 26059' SW SE 31-28N-59E (205 FSL/1876 FEL) Bakken
Approved: 07/18/2023

ACTIVITIES:

6/16/2023 To 8/9/2023

New Locations - Horizontal Wells:

Roosevelt Wildcat 085-22039
Kraken Operating, LLC Wilde 19-30-31 3H
SHL: NW NE 19-28N-59E (445 FNL/1406 FEL) EL 2214' GR 32832
PBHL: 26085' SE SE 31-28N-59E (205 FSL/556 FEL) Bakken
Approved: 07/18/2023

Re-Entry of Plugged Wells:

Powder River Bell Creek 075-21333
Denbury Onshore, LLC Unit 13-2
SHL: C NW NE 13-8S-54E (509 FNL/2041 FEL) EL 3747' GR 32825
Proposed Depth: 4554' (Muddy)
Approved: 06/29/2023

Re-Issued Locations:

Blaine Wildcat 005-23829
Behm Energy, Inc. Lybeck 1-35
SHL: NW NE 35-35N-20E (350 FNL/2290 FEL) EL 2805' GR 32820
Proposed Depth: 4520' (Sawtooth)
Approved: 06/19/2023

Glacier Cut Bank 035-22247
Petro-Sentinel LLC Hillside 44-7
SHL: SE SE 7-37N-5W (500 FSL/340 FEL) EL 4031' GR 32828
Proposed Depth: 5000' (Cut Bank)
Approved: 07/20/2023

Richland Wildcat 083-22871
EMEP Operating, LLC Porky-Harold 9-13-HSU
SHL: SW SW 9-24N-54E (275 FSL/400 FWL) EL 2425' GR 32826
PBHL: 15925' NE 5-24N-54E (671 FNL/1001 FEL) Bakken
Approved: 07/11/2023

Richland Wildcat 083-22886
EMEP Operating, LLC Stockade-Calesto 33-3-HSU
SHL: NE NW 33-25N-54E (383 FNL/1863 FWL) EL 2325' GR 32827
PBHL: 16073' SE SE 2-24N-54E (670 FSL/670 FEL) Bakken
Approved: 07/11/2023

ACTIVITIES:

6/16/2023 To 8/9/2023

Re-Issued Locations:

Richland Wildcat 083-23181
 SOGC, Inc. Ralston 2-22H
 SHL: SE SE 22-27N-53E (250 FSL/400 FEL) EL 2094' GR 32823
 PBHL: 18849' NE NE 15-27N-53E (210 FNL/510 FEL) Bakken
 Approved: 06/27/2023

Richland Wildcat 083-23344
 SOGC, Inc. Schmitz 2-26H
 SHL: SW SE 26-27N-53E (300 FSL/1750 FEL) EL 2149' GR 32824
 PBHL: 18987' NW NE 23-27N-53E (210 FNL/2600 FEL) Bakken
 Approved: 06/27/2023

Completions:

Fallon Cabin Creek 025-23110
 Denbury Onshore, LLC Cabin Creek CH 34-17H
 SHL: SW SE 17-10N-58E (912 FSL/1933 FEL) EL 2765' GR
 BHL: 12100' NE NW 16-10N-58E (1217 FNL/1932 FWL) Charles
 BHL: 12624' NE NW 16-10N-58E (898 FNL/2328 FWL) Charles
 Completed 3/21/2023 (OIL). TD 12624'
 IP 213 BOPD/50 MCFPD/741 BWPD Charles

Fallon Cabin Creek 025-23112
 Denbury Onshore, LLC Cabin Creek CH 22X-17H
 SHL: SE NW 17-10N-58E (2610 FNL/2619 FWL) EL 2747' GR
 BHL: 11696' SW SW 9-10N-58E (220 FSL/742 FWL) Charles
 BHL: 12232' SW SW 9-10N-58E (683 FSL/1041 FWL) Charles
 Completed 4/3/2023 (OIL). TD 12232'
 IP 84 BOPD/196 MCFPD/598 BWPD Charles

Liberty Wildcat 051-21843
 Avanti Helium US, Inc. Western Natural Gas 11-22
 SHL: NE SW 22-37N-4E (2410 FSL/1902 FWL) EL 3921' GR
 Completed 4/9/2022 (GAS). TD 5370' PBTD 5306'.
 IP 0 BOPD/4 MCFPD/0 BWPD Flathead Formation

ACTIVITIES:

6/16/2023 To 8/9/2023

Completions:

Powder River Bell Creek 075-22475
Denbury Onshore, LLC Unit 12-15H
SHL: SW SE 12-8S-54E (779 FSL/2318 FEL) EL 3830' GR
BHL: 7451' SW NE 13-8S-54E (2244 FNL/2019 FEL) Muddy
BHL: 8922' NW SE 13-8S-54E (1562 FSL/2066 FEL) Muddy
Completed 1/14/2023 (OIL). TD 8934'
IP 0 BOPD/0 MCFPD/300 BWPD Muddy

Richland Wildcat 083-23412
Kraken Operating, LLC Katrina 30-31 #1H
SHL: SE SW 19-25N-59E (291 FSL/2532 FWL) EL 2181' GR
BHL: 13732' NW SW 30-25N-59E (2094 FSL/647 FWL) Bakken
Completed 11/24/2022 (OIL). TD 20886'
IP 1105 BOPD/760 MCFPD/2790 BWPD Bakken

Richland Wildcat 083-23416
Kraken Operating, LLC Katrina 30-31 #2H
SHL: SE SW 19-25N-59E (291 FSL/2565 FWL) EL 2183' GR
BHL: 20800' SE SW 31-25N-59E (244 FSL/1986 FWL) Bakken
Completed 11/24/2022 (OIL). TD 20800'
IP 1110 BOPD/758 MCFPD/2946 BWPD Bakken

Expired Permits:

Custer Wildcat 017-21179
Highlands Montana Corporation Helios 5-52 16-21
SHL: NE NW 16-5N-52E (580 FNL/1928 FWL) EL 2642' GR
Expired: 12/05/2017

Richland Wildcat 083-22955
Continental Resources Inc Dow 1-20H
SHL: SE SW 20-27N-54E (200 FSL/1700 FWL) EL 2112' GR
Expired: 03/01/2013

Rosebud Wildcat 087-21745
Falcon Energy Partners LLC Grebe #8-1
SHL: NW NW 8-10N-33E (723 FNL/822 FWL) EL 3128' GR
Expired: 04/09/2019

ACTIVITIES:**6/16/2023 To 8/9/2023****Abandoned Wells:**

Custer Wildcat 017-21177
Highlands Montana Corporation Helios 5-52 16-22
SHL: SE NW 16-5N-52E (2065 FNL/1840 FWL) EL 2675' GR
Approved: 06/13/2023

Dawson Gas City 021-06236
Eastern Montana Oil & Gas Co. Mont-Dak 11 (210)
SHL: NE NE 20-14N-55E (20 FNL/700 FEL) EL 2143' GR
Approved: 06/06/2023

Fallon Cedar Creek 025-21091
Kelly Oil and Gas LLC State 6-36
SHL: NE SE NW 36-5N-60E (1475 FNL/2065 FWL) EL 2961' GR
Approved: 06/06/2023

Fallon Cedar Creek 025-21114
Kelly Oil and Gas LLC State 11-36
SHL: C SW 36-5N-60E (1320 FSL/1320 FWL) EL 3013' GR
Approved: 06/06/2023

Glacier Graben Coulee 035-21481
New Horizon Resources LLC State #8
SHL: NW SW NE 15-37N-5W (1650 FNL/2310 FEL) EL 3810' GR
Approved: 07/21/2023

Glacier Graben Coulee 035-21483
New Horizon Resources LLC State 9
SHL: SW SE NE 15-37N-5W (2310 FNL/990 FEL) EL 3773' GR
Approved: 07/21/2023

Glacier Graben Coulee 035-21682
New Horizon Resources LLC State 18
SHL: SW NE 15-37N-5W (1980 FNL/1980 FEL) EL 3798' GR
Approved: 07/21/2023

Phillips Loring, East 071-21835
Scout Energy Management LLC Federal 0562-2
SHL: SE NE 5-36N-32E (825 FNL/1284 FEL) EL 2506' GR
Approved: 07/17/2023

ACTIVITIES:**6/16/2023 To 8/9/2023****Abandoned Wells:**

Pondera Highview 073-21639
New Horizon Resources LLC State 34-14
SHL: SE SW 34-28N-6W (660 FSL/1980 FWL) EL 4231' GR
Approved: 07/21/2023

Pondera Highview 073-21641
New Horizon Resources LLC State 34-12
SHL:SE NW SW 34-28N-6W (1839 FSL/794 FWL) EL 4231' GR
Approved: 07/21/2023

Powder River Pumpkin Creek 075-22001
Janssen Gas Janssen 2
SHL:NE SW NW 30-1S-50E (1960 FNL/1030 FWL) EL 3453' GR
Approved: 06/06/2023

Richland Fort Gilbert 083-21143
Abraxas Petroleum Corporation Candee 1-29
SHL: NE NE 29-24N-59E (660 FNL/660 FEL) EL 2194' GR
Approved: 07/17/2023

Richland Sidney 083-21290
Abraxas Petroleum Corporation Duncan-Andersen 19-43HR
SHL:SW NE SE 19-23N-59E (1542 FSL/715 FEL) EL 2167' GR
Approved: 07/17/2023

Richland Sidney 083-21373
Abraxas Petroleum Corporation Duncan-Petersen 20-12
SHL:SE SW NW 20-23N-59E (2015 FNL/876 FWL) EL 2030' GR
Approved: 07/17/2023

Richland Two Waters 083-21378
Mountain Pacific General Inc. Pruet-BNRR 29-1
SHL:SE NW NE 29-24N-54E (1020 FNL/1650 FEL) EL 2499' G
Approved: 06/07/2023

Richland Wildcat 083-21903
Armstrong Operating, Inc. Butka 17-1
SHL: SE NE 17-23N-54E (1700 FNL/1000 FEL) EL 2739' GR
Approved: 07/17/2023

ACTIVITIES:

6/16/2023 To 8/9/2023

Abandoned Wells:

Richland Wildcat 083-22056
Kraken Operating, LLC Boulder-Stone 26-16H
SHL: SE SE 26-26N-51E (250 FSL/540 FEL) EL 2399' GR
Approved: 07/17/2023

Valley Vandalia 105-21161
Scout Energy Management LLC Federal 2706-1
SHL: NW SE SE 27-30N-36E (1017 FSL/1014 FEL) EL 2520' G
Approved: 07/17/2023

Valley Vandalia 105-21374
Scout Energy Management LLC Federal 1807-2
SHL: NW NW 18-30N-37E (881 FNL/878 FWL) EL 2296' GR
Approved: 07/17/2023

SUMMARY PAGE

Montana Energy Company, LLC
Houston, TX
Lake Basin Field
Stillwater County, MT

- 3/9/2023 MBOGC Provided Montana Energy Company, LLC (MEC) with list of compliance issues via inspections.
 - Operator indicated issues would be fixed.
- 3/16/2023 MBOGC Chief Field Inspector contacted MEC for timeline of addressing compliance issues.
- 3/20/2023 Operator indicated sign issues and gauge issue to be fixed week of May 22, 2023.
- 4/6/2023 thru 5/1/2023 Continue efforts from Chief Field Inspector contacting MEC for updates to resolve compliance issues.
- 5/11/2023 Inspections showed continue compliance issues.
- 5/19/2023 Letter Certified Letter Sent to MEC for compliance issues stating issues need to be resolved by 8/9/2023 and update given to staff by operator. Also, operator will be discussed at 8/9/2023 business meeting.
- E-mail sent to Operating on 8/7/2023 asking for update.
- 8/9/2023 no update given by operator on compliance issues.

5-YEAR HISTORY

- Operator took over wells in 2020 from Bayswater Exploration & Production.
- 1st compliance issue for MEC since taking over wells in 2020.

Recommendation

- Bring to board hearing for show cause of non-compliance issues if MEC does not resolve issues on or before August 31, 2023 hearing deadline. If operator comes into compliance on or before October 4, 2023, staff will have ability to dismiss docket.

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION



GREG CIANFORTE, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

May 15, 2023

Montana Energy Company, LLC
16203 Park Row, Suite 125
Houston, TX 77084

Re: Inspection Lake Basin Field; wells: Keating 1-26, Keating 13-25, Keating 1A-26, Keating 4-25, Hepp 10-23, Leuthold 9-35, Castle (1-0308-2)1, Copulas (1-0309-1) 1A, Leuthold 9-34, Keating 6-23

Dear Mr. Cantu,

A field inspection conducted on May 11, 2023, found the following violations per Administrative Rules of Montana (ARM) of wells in the Lake Basin Field of which Montana Energy Company, LLC Operates:

ARM 36.22.1101 – Fire Hazard Prevention

Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the well site, tanks, and reservoirs. All waste oil shall be burned or disposed of in a manner to avert creating a fire hazard. The owner shall take all available precautions to prevent any oil or gas well from blowing open and shall take immediate steps and exercise due diligence to bring under control any "wild" or burning oil or gas well.

ARM 36.22.1104 – Control and Cleanup

The owner or operator must promptly control and clean up any leak, spill, escape, or discharge, regardless of the amount of oil, produced water, water containing more than 15,000 ppm TDS, or gas involved.

ARM 36.22.1201 – Surface Equipment

Wellhead equipment shall be installed and maintained in satisfactory condition so that static bottom-hole pressures and operating gas-oil ratios may be obtained at any time. Valves shall be installed so that pressures can be readily obtained on both casing and tubing. However, exceptions may be granted by the petroleum engineer or his authorized agent when warranted by operating practices.

ARM 36.22.1202 - Identification

The owner shall permanently mark all wells, producing properties, and tanks in a conspicuous place with his name, lease name, and, as to a well, number of the well and legal description of the well.

ARM 36.22.1219 – Gas Waste Prohibited

After completion of a gas well, no gas shall be permitted to escape into the air, except that required for periodic testing or cleaning of the well bore.

DIVISION OFFICE
1539 11th AVENUE
PO BOX 201601
HELENA, MONTANA 59620-1601
(406) 444-6731

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-4693
(406) 656-0040

NORTHERN FIELD OFFICE
201 MAIN STREET
PO BOX 690
SHELBY, MONTANA 59474-0690
(406) 434-2422

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION



GREG GIANFORTE, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

ARM 36.22.1223 – Fencing, Screening, and Netting of Pits

- (1) Open storage vessels, earthen pits, or ponds that contain oil must be fenced, screened, and netted.
- (2) Open receptacles, earthen pits, or ponds that contain produced water with more than 15,000 parts per million total dissolved solids must be fenced.
- (3) This rule does not apply to earthen pits used solely for the purpose of drilling, completing, recompleting, working over, or plugging a well.

Enclosed you will also find the field inspection reports detailing the findings at each of the locations listed above.

Addressing of noncompliance issues need to be demonstrated on or before August 9, 2023, MBOGC business meeting, where the issues will be discussed with Board.

Should you have any questions, please contact our Billings office at 406-656-0040.

Sincerely,

Ben Davis
Technical Program Coordinator
Benjamin.Davis@mt.gov

DIVISION OFFICE
1539 11th AVENUE
PO BOX 201601
HELENA, MONTANA 59620-1601
(406) 444-6731

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-4693
(406) 656-0040

NORTHERN FIELD OFFICE
201 MAIN STREET
PO BOX 690
SHELBY, MONTANA 59474-0690
(406) 434-2422

RECEIVED

API #: 25 - 095 - 21040

Inspection Report

Montana Board of Oil and Gas Conservation

MAY 11 2023

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Date: 5/11/2023

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scot Blomfield

Date Operator Notified: _____

Arrival Time: 9:25 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Keating 1-26 Q: CNE Sec.: 26 Township: 1N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

- 36.22.1202 Identification
- 36.22.1101 Fire Hazard Prevention
- 36.22.1104 Control and Cleanup
- 36.22.1201 Surface Equipment

Inspection Type

Class II UIC Wells

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure 6/26/2019. Follow up 3/1/2023.
 No equipment on clean location next to drainage. No pit, No sign.
 Exposed wellhead with tubing head removed and casing not capped or packed off.

RECEIVED

API #: 25 - 095 - 21121

Date: 5/11/2023

Inspection Report

Montana Board of Oil and Gas Conservation MAY 11 2023

01/2014

UIC: Oil / Gas / Other:

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Exception / Violation: Yes:

Inspector: Scott Bloomfield

Date Operator Notified: _____

Arrival Time: 10:45 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Keating 13-25 Q: N E S W Sec.: 25 Township: 1 N Range: 21 E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

- 36.22.1101 Fire Hazard prevention
- 36.22.1104 Control and Cleanup
- 36.22.1219 Gas Waste Prohibited

Inspection Type

- Routine / Periodic Pre-drill / Well Permitting
- Change of Operator Pre-regulatory / Orphan
- Complaint Response Remediation / Restoration
- Compliance Verification Plugging Witnessed
- Construction SRA / Expiration
- Drilling / Service Rig Seismic Inspection
- Emergency Response
- Pit Inspection

Class II UIC Wells

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure noted 1/20/2023. Follow up 3/1/2023.
 Gas well appears to be producing. Lockin style tubing head with rods and tubing in hole. No pumping unit. Meter skid attached to open sales line. Barton style chart recorder with no chart.
 Orifice plate seal leaking gas to atmosphere audibly.

RECEIVED

API #: 25 - 095 - 21143

Inspection Report

Montana Board of Oil and Gas Conservation

MAY 11 2023

Date: 5 / 11 / 2023

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scott Bloomfield

Date Operator Notified: _____

Arrival Time: 10:20 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Keating IA-26 Q: NENE Sec.: 26 Township: 1N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

- 36.22.1101 Fire Hazard Prevention
- 36.22.1104 Control and Cleanup
- 36.22.1219 Gas Waste Prohibited

Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure noted 1/12/2023. Follow up 3/1/2023.
 Small pumping unit on wood sill with rods and tubing in hole.
 Backin style tubing head head. Tubing head seal leaking to atmosphere.
 Flowline intact. Needle valve on flowline closed and leaking gas.
 Signage present and reflects current operator

RECEIVED

API #: 25 - 095 - 21047

Inspection Report

Date: 5 / 11 / 2023

Montana Board of Oil and Gas Conservation

MAY 11 2023

UIC: Oil / Gas / Other:

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Exception / Violation: Yes:

Inspector: Scott Bloomfield

Date Operator Notified: _____

Arrival Time: 10:10 (am/pm)

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Keating 4-25 Q: SENNNW Sec.: 25 Township: 1N Range: 21E

Operator: Mountain Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

- 36-22-1101 Fire Hazard Prevention
- 36-22-1104 Control and Cleanup
- 36-22-1219 Gas Waste Prohibited

Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure 1/20/2023. Follow up 3/1/2023
Small pumping unit with rods and tubing in hole.
Flowline intact and open. Pressure gauge on flowline damaged (face cover missing)
and leaking gas to atmosphere.
Signage present and reflects current operator.

RECEIVED

API #: 25 - 095 - 21044

Date: 5 / 11 / 2023

Inspection Report

MAY 11 2023

Montana Board of Oil and Gas Conservation

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

01/2014

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scott Bloomfield

Date Operator Notified: _____

Arrival Time: 9:50 am pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Hepp 10-23 Q: SENWSE Sec.: 23 Township: 1 N Range: 21 E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

<u>36.22.1202</u> <u>Identification</u>	<u>36.22.1219</u> <u>Gas Waste Prohibited</u>
<u>36.22.1101</u> <u>Fire Hazard Prevention</u>	<u>36.22.1223</u> <u>Fencing, screening and netting of pits.</u>
<u>36.22.1104</u> <u>Control & Clean</u> <u>SAB</u>	
<u>36.22.1104</u> <u>Control and Cleanup</u>	

Inspection Type

Class II UIC Wells

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Injecting: Tubing Pressure: _____ PSI
 Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

Oil Well: Producing:
 Gas Well: Shut-In / TA:
 Other: _____ Abandoned:

Comments / Description

Picture:

Original failure 6/20/2019. Follow up 3/1/2023.
No pumping unit. Roots and tubing in hole. Tubing head seal leaking to atmosphere. Sign present but does not reflect current operator. (Bayswater)
Large pit unfenced or screened.

API #: 25 - 095 - 21152

RECEIVED

Date: 5 / 11 / 2023

Inspection Report

Montana Board of Oil and Gas Conservation

MAY 11 2023

UIC: Oil / Gas / Other:

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Exception / Violation: Yes:

Inspector: Scott Blewfield

Date Operator Notified: _____

Arrival Time: 11:00 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Leuthold 9-35 Q: SIVNESE Sec.: 35 Township: 1N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

36.22.1202 Identification

Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

Injecting: Tubing Pressure: _____ PSI
 Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

Oil Well: Producing:
 Gas Well: Shut-In / TA:
 Other: _____ Abandoned:

Comments / Description

Picture:

Original failure noted 6/27/2019. Follow up 1/12/2023.
 No pumping unit or base. Rods and tubing in hole. Small depression in ground
 appears to be old pit that was closed. Location has no sign.

RECEIVED

API #: 25 - 095 - 05079

Date: 5 / 11 / 2023

Inspection Report

MAY 11 2023

Montana Board of Oil and Gas Conservation

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scot Bloemfield

Date Operator Notified: _____

Arrival Time: 8:20 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Castle (1-0308-2) 1 Q: NWSE Sec.: 22 Township: 2N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

36.22.1262 Identification

Inspection Type

- Routine / Periodic, Change of Operator, Complaint Response, Compliance Verification, Construction, Drilling / Service Rig, Emergency Response, Pit Inspection, Pre-drill / Well Permitting, Pre-regulatory / Orphan, Remediation / Restoration, Plugging Witnessed, SRA / Expiration, Seismic Inspection

Class II UIC Wells

- Injecting, Not Injecting, Tubing Pressure, Annulus Pressure

Non-UIC Wells

- Oil Well, Gas Well, Other, Producing, Shut-In / TA, Abandoned

Comments / Description

Picture:

Original failure 6/27/2019. Follow up 9/20/2022. Location fenced with no pit. Tubing in hole with 2" check valve in tubing. Old fluid/gas separator. No signage. Native vegetation on location.

RECEIVED

API #: 25 - 095 - 05084

Inspection Report

MAY 11 2023

Date: 5/11/2023

Montana Board of Oil and Gas Conservation

UIC: Oil / Gas / Other:

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Exception / Violation: Yes:

Inspector: Scot Bloomfield

Date Operator Notified: _____

Arrival Time: 8:35 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Cepulas (1-0309-1) 1A Q: NENESE Sec.: 15 Township: 2N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

36.22-1202 Identification

Inspection Type

Class II UIC Wells

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Injecting: Tubing Pressure: _____ PSI
 Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

Oil Well: Producing:
 Gas Well: Shut-In / TA:
 Other: _____ Abandoned:

Comments / Description

Picture:

Original failure noted 6/27/2019, Follow up 1/12/2023

No pumping unit. Rods and tubing in hole. Flowline intact. Separator skid on location.

Signage present but does not reflect current operator (Bayswater-listed)

RECEIVED

API #: 25 - 095 - 21214

Date: 5 / 11 / 2023

Inspection Report

MAY 11 2023

Montana Board of Oil and Gas Conservation

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scott Bloomfield

Date Operator Notified: _____

Arrival Time: 9:00 am/pm

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Leitchfield 9-34 Q: NESE Sec.: 34 Township: 1N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

36.22-1202 Identification

Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure 6/26/2019, follow up 3/1/2023.
Concrete base with no pumping unit, Ricks and tubing in hole, No pits.
Location signage present and does not reflect current operator. (Buy-sworder listed)

RECEIVED

API #: 25 - 095 - 21164

Inspection Report

Date: 5/11/2023

Montana Board of Oil and Gas Conservation

MAY 11 2023

01/2014

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

UIC: Oil / Gas / Other:

Exception / Violation: Yes:

Inspector: Scott Blewett

Date Operator Notified: _____

Arrival Time: 9:15 am

Date Remedy Required: _____

Operator Representative(s): _____

Others Present: _____

Well Name: Keating 6-23 Q: SENW Sec.: 23 Township: 1N Range: 21E

Operator: Montana Energy Company LLC Field: Lake Basin

Latitude / Longitude, NAD83 decimal degrees (if taken): _____

Failed Items or Violation Description:

36.22.1202 Identification

Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

- Injecting: Tubing Pressure: _____ PSI
- Not Injecting: Annulus Pressure: _____ PSI

Non-UIC Wells

- Oil Well: Producing:
- Gas Well: Shut-In / TA:
- Other: _____ Abandoned:

Comments / Description

Picture:

Original failure 6/27/2019. Follow up 3/1/2023.
 No equipment on location, wood sill from original pumping unit.
 Open casing collar stubbed out with 2" pipe and valve at surface.
 No signage present.

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

IN THE MATTER OF MONTANA ENERGY COMPANY,
LLC AND ITS FAILURE TO PROPERLY MAINTAIN ITS
WELLSITES IN STILLWATER COUNTY, MONTANA.

ADMINISTRATIVE ORDER 8-A-2023

Montana Energy Company, LLC (Montana Energy) is the operator of the following ten wells with compliance issues that need to be addressed according to rule violations:

ARM 36.22.1101 requires any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the well site, tanks, and reservoirs. All waste oil shall be burned or disposed of in a manner to avert creating a fire hazard. The owner shall take all available precautions to prevent any oil or gas well from blowing open and shall take immediate steps and exercise due diligence to bring under control any "wild" or burning oil or gas well. The following wells have this compliance issue:

- Keating 1-26
- Keating 13-25
- Keating 1A-26
- Keating 4-25
- Hepp 10-23

ARM 36.22.1104 requires the owner or operator to promptly control and clean up any leak, spill, escape, or discharge, regardless of the amount of oil, produced water, water containing more than 15,000 ppm TDS. The following wells have this compliance issue:

- Keating 1-26
- Keating 13-25
- Keating 1A-26
- Keating 4-25
- Hepp 10-23

ARM 36.22.1201 requires wellhead equipment shall be installed and maintained in satisfactory condition so that static bottom-hole pressures and operating gas-oil ratios may be obtained at any time. Valves shall be installed so that pressures can be readily obtained on both casing and tubing. However, exceptions may be granted by the petroleum engineer or his authorized agent when warranted by operating practices. The following well has this compliance issue:

- Keating 1-26

ARM 36.22.1202 requires the owner shall permanently mark all wells, producing properties, and tanks in a conspicuous place with his name, lease name, and, as to a well, number of the well and legal description of the well. The following wells have this compliance issue:

- Keating 1-26
- Hepp 10-23
- Leuthold 9-35
- Castle (1-0308-2) 1
- Copulos (1-0309-1) 1A
- Leuthold 9-34
- Keating 6-23

ARM 36.22.1219 requires after completion of a gas well, no gas shall be permitted to escape into the air, except that required for periodic testing or cleaning of the well bore. The following wells have this compliance issue:

- Keating 13-25
- Keating 1A-26
- Keating 4-25
- Hepp 10-23

ARM 36.22.1223 requires (1) Open storage vessels, earthen pits, or ponds that contain oil must be fenced, screened, and netted. (2) Open receptacles, earthen pits, or ponds that contain produced water with more than 15,000 parts per million total dissolved solids must be fenced. (3) This rule does not apply to earthen pits used solely for the purpose of drilling, completing, recompleting, working over, or plugging a well. The following well has this compliance issue:

- Hepp 10-23

On May 19, 2023, a certified letter was sent to Montana Energy detailing the above listed compliance issues. An August 9, 2023, deadline was given to resolve the compliance issues or Montana Energy would be brought up at the board business meeting. No response was received to this letter.

On August 7, 2023, a follow up email was sent, and no response was received.

No compliance was achieved prior to the Board business meeting.

IT IS THEREFORE ORDERED by the Board that Montana Energy must have the well locations in compliance by the August 31, 2023, hearing application deadline. Failure to come into compliance by that date will result in Montana Energy being ordered to show cause at the October 5, 2023, public hearing, as to why penalties should not be imposed for failure to remedy the field violations.

IT IS FURTHER ORDERED that Board staff has the authority to dismiss the docket if compliance is achieved prior to October 4, 2023.

Dated this 9th day of August, 2023

Montana Board of Oil and Gas Conservation

Benjamin Jones, Administrator