

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
December 6 & 7, 2023

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Steven Durrett at 2:00 p.m., Wednesday, December 6, 2023, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Roy Brown, Mac McDermott, John Tietz, Corey Welter, and Jeff Wivholm. Board member Paul Gatzemeier was absent. Staff present was Ben Jones, Ben Davis, Liz Leman, and Jennifer Breton.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Ms. Susann Beug, from Northern Plains Resource Council (NPRC), requested to meet with staff to discuss setting a limit of the number of wells on a multiple well bond, the large number of inactive wells in Montana, and raising the cap on the Resource Indemnity Trust (RIT) Fund. Ms. Beug would also like to talk with Mr. McDermott regarding his concerns on the RIT fund.

Chairman Durrett responded that inactive wells are on the Board's radar. All transfers for new operators taking over more than 10 wells, and transfers that would result in five or more inactive wells on a single, multiple well bond, are reviewed in front of the Board to ensure adequate bonding. Staff is also addressing inactive wells with the inactive well review. Chairman Durrett noted that staff is always available to discuss any issues or concerns.

APPROVAL OF MINUTES

A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the minutes of the October 4, 2023, business meeting.

PROPOSED ADOPTION OF THE AMENDMENT OF ARM 36.22.1242 PERTAINING TO REPORTS BY PRODUCERS, TAX REPORT, AND TAX RATE AND THE REDUCTION OF THE PRIVILEGE AND LICENSE TAX

Mr. Jones reviewed the proposed privilege and license tax (P&L tax) rule amendment, attached as Exhibit 1.

Lowering the P&L tax rate from 0.25% to 0.22% will allow the maximum amount under statute (0.08%) to be deposited in the oil and gas natural resource distribution account that provides funding to cities and towns in oil and gas producing counties.

The Board is required to give the Department of Revenue a required 90-day notice prior to the rule's effective date. There is no impact to industry and oil and gas producers will continue to pay 0.30%.

There was only one comment made during the comment period that came from the Montana League of Cities and Towns in support of the amendment.

Motion: Mr. Welter made the motion to adopt the proposed amendment to lower the P&L tax rate from 0.25% to 0.22% effective April 1, 2024. Mr. Brown seconded, and the motion passed unanimously.

FINANCIAL REPORT

Mrs. Breton discussed the financial statement, attached as Exhibit 2.

BOND SUMMARY & INCIDENT REPORT

Mr. Jones presented the bond report and the incident report, attached as Exhibit 3 & 4.

DOCKET SUMMARY

Mr. Jones presented the docket summary, attached as Exhibit 5.

GAS FLARING EXCEPTIONS

There were no flaring exceptions to review.

INACTIVE WELL REVIEW

Mr. Davis reviewed a list of inactive well operators and their current statuses, attached as Exhibit 6.

ORPHAN WELL AND FEDERAL GRANT UPDATE

Mr. Jones provided the Board an update of the orphan well Initial Grant plugging project with funding authorized by the Bipartisan Infrastructure Law.

So far, 122 wells have been plugged under the Initial Grant and have all been witnessed by BOGC staff. Of those wells, 64 locations had surface reclamation completed. Five out of the 18 contracts issued have been completed. There are currently zero orphan wells on our list to be contracted.

In November, the EPA announced the availability of federal grant funds to assist states in establishing and operating a UIC Class VI primacy program. Board staff submitted a notice of intent to apply for this grant in March 2022, and Montana is currently eligible for approximately \$1.9 million. States are to work with their respective EPA regions for specific application deadlines. Montana is in region eight, which has not yet set the application deadline to receive funds in the current federal fiscal year. Mr. Jones stated we are still in the process of determining if class VI primacy is something we want to pursue.

STAFF REPORTS

Ben Jones

Mr. Jones provided a staffing update. Since the last meeting, Perry Field, the UIC director, has resigned. Mr. Jones requested volunteers from the Board to be on the interview team for the UIC director when there is a qualified candidate. Chairman Durrett, Mr. Brown and Mr. Welter volunteered. Additionally, a Plentywood field inspector has been hired.

Ben Davis

Mr. Davis brought Shuck Oil & Gas LLC (Shuck) to the Board's attention. Shuck is the operator of the Hocksprung 1 well, and a field inspector found that the produced water evaporation pit associated with this well was in violation of the pit permit. The produced water evaporation pit was being used to improperly store humic sludge, a foreign nontoxic solid waste, from activities not associated with oil and gas exploration and production. Humic sludge is also being improperly stored and disposed of on the property. Shuck was notified of the violations along with Montana Department of Environmental Quality (DEQ). DEQ outlined the steps and established deadlines for the removal of material from the property, attached as Exhibit 7.

Mr. Davis recommended that Shuck be required to immediately cease using the Hocksprung 1 produced water evaporation pit until compliance with the pit permit and Board rules is confirmed by field inspection.

Motion: Mr. Wivholm made the motion to approve the recommendation. Mr. Brown seconded, and the motion passed unanimously.

The Board issued Shuck Administrative Order 10-A-2023, attached as Exhibit 8.

Mr. Davis provided the Board an update on well activity, attached as Exhibit 9.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, December 7, 2023, at 9:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana, to hear the matters docketed for public hearing. As a result of the discussion, testimony, technical data, and other evidence placed before the Board, the following action was taken in each matter.

Docket 128-2023 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of White Rock Oil & Gas, LLC was approved as set forth in Board Order 113-2023.

Docket 129-2023 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of EMEP Operating, LLC was approved as set forth in Board Order 114-2023.

Docket 130-2023 – The application of Continental Resources Inc was continued to the February 2024 hearing.

Docket 131-2023 – The application of Continental Resources Inc was continued to the February 2024 hearing.

Docket 132-2023 – The application of Continental Resources Inc was continued to the February 2024 hearing.

Docket 133-2023 – The application of Continental Resources Inc was continued to the February 2024 hearing.

Docket 81-2023 – The application of Grayson Mill Operating, LLC was continued to the February 2024 hearing.

Docket 82-2023 – The application of Grayson Mill Operating, LLC was continued to the February 2024 hearing.

Docket 83-2023 – The application of Grayson Mill Operating, LLC was continued to the February 2024 hearing.

Docket 84-2023 – The application of Grayson Mill Operating, LLC was continued to the February 2024 hearing.

Docket 108-2023 – The application of Lonewolf Operating, LLC was withdrawn.

Docket 109-2023 – The application of Lonewolf Operating, LLC was withdrawn.

Docket 101-2023 – The application of Wildcat Fluid Solutions LLC was continued to the February 2024 hearing.

Docket 134-2023 – A motion was made by Mr. Wivholm, seconded by Mr. Gatzemeier and unanimously passed, that Docket 134-2023, Midway Energy, LLC, is continued until the December 5, 2024, public hearing. Board staff has the authority to dismiss the docket if the Keller 3 well, API # 25-095-21150, Hunt Creek 1-H well, API # 25-009-21301, and the J. Orr 1 well, API # 25-095-05012, are plugged prior to the December 5, 2024, public hearing. This is set forth in Board Order 109-2023.

Docket 135-2023 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, that Yellowstone Petroleums, Inc. must provide staff a detailed well plan with a timeline and benchmarks for reactivating, transferring, or plugging its inactive wells and file any necessary amended production reports prior to March 7, 2024, hearing deadline, or is subject to a \$200 fine for each day after the deadline that the well plan and timeline and amended reports have not been received. The fine will remain in effect until the April 11, 2024, public hearing or until the detailed well plan and any necessary amended reports are submitted. Docket 135-2023 is continued until the April 11, 2024, public hearing. This is set forth in Board Order 110-2023.

Docket 108-2021 – A motion was made by Mr. Tietz, seconded by Mr. McDermott and unanimously passed, that Black Gold Energy Resource Development, LLC’s remaining outstanding \$42,000 fine is waived and the docket is dismissed. This is set forth in Board Order 111-2023.

Docket 18-2023 – The show-cause hearing of Fairways Exploration & Production, LLC was dismissed.

Docket 104-2023 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, that Docket 104-2023, Interstate Explorations, LLC, is continued until the June 13, 2024, public hearing. This is set forth in Board Order 112-2023.

Docket 124-2023 – The show-cause hearing of Heavy Water Haulers Inc. was dismissed.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, February 14, 2024, at 2:00 p.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. The next regular public hearing will be Thursday, February 15, 2024, beginning at 9:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. The filing deadline for the February 15th public hearing is January 11, 2024.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

Steven Durrett, Chairman
Paul Gatzemeier, Vice-Chairman (absent)
Roy Brown, Board Member
Mac McDermott, Board Member
W. John Tietz, Board Member
Corey Welter, Board Member
Jeff Wivholm, Board Member

ATTEST:

Jennifer Breton, Program Specialist