

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
February 14 & 15, 2024

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, February 14, 2024, 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, Amit Garg, Liz Leman, and Jennifer Breton.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Miles Knudsen, mineral interest owner and resident of Bainville, is concerned about ‘super spacing units,’ wells drilled down the section lines of two overlapped spacing units, and wants to see the underlying spacing units developed before boundary wells are drilled in overlapping spacing units.

Chairman Durrett noted that the drilling of section line wells can only be authorized after notice and hearing and are considered on a case-by-case basis by the Board. Traditionally, these wells would only be proposed once the underlying spacing units have been developed. Chairman Durrett also clarified that spacing is limited to a specific geologic formation.

Chairman Durrett encouraged Mr. Knudsen to appear at the hearing if he has concerns for a specific docket.

Renee Rasmussen, mineral interest owner and a retired superintendent of two ‘oil schools’, provided her comments regarding large spacing units, attached as Exhibit 1. Ms. Rasmussen’s concerns are about the potential negative impact when state lands are involved in large spacing units and wants to make sure there is efficient development of the state resources that in turn provides funding to schools.

Zack Winfield with Trust Lands has concerns of section line wells holding large spacing units, especially when the bordering spacing units have not been fully developed. Trust Land’s goal is to see orderly development of state lands and maximize the usage of different zones.

Mr. Jones noted that large spacing units are reviewed on a case-by-case basis. Typically, there are two permanent spacing units that have been fully developed and the boundary well between the two is the last to occur. If the underlying lands have been pooled, production from the boundary well will be split 50% from each underlying spacing unit, so the size of the overlapping spacing unit is not a factor. The Board has the statutory responsibility to protect correlative rights and promote the full and orderly development of oil and gas resources.

Dwight Vannatta, member of Northeast Montana Land & Minerals Owners Association, Inc., also voiced his concerns of large spacing units and how production is shared.

Production allocation is typically based on surface acreage, as it would be impractical to determine where production specifically comes from within the sections or determine production based on lateral footages. Once the spacing unit has been pooled, those interest owners can recover their proportionate share of production from that spacing unit. This protects correlative rights, promotes orderly development and prevents waste.

Mr. Vannatta stated that an operator proposed five to seven wells in a spacing unit he has interest in and so far, only one well has been drilled. For the last 10 years, this one well has been holding 1,280 acres.

Mr. Jones stated that lessee has a responsibility to efficiently develop and protect leased minerals, and this can be a lease issue between mineral owner and operator outside the Board's jurisdiction. The Board cannot force well development.

Mr. Vannatta was also concerned about preventative waste when wells flare gas.

Mr. Jones stated that any well flaring in excess of 100 MCFG/day requires the operator to provide justification to why the well must be flared. The Board reviews these exception requests at the business meetings. If the request is approved, it is typically for 6 months, after which time it will have to be reviewed in front of the Board again.

APPROVAL OF MINUTES

A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the minutes of the December 6, 2023, business meeting.

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, 136 wells have been plugged under the Initial Grant and have all been witnessed by BOGC staff. Of those wells, 81 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.

The Department of Interior recently released guidance for a matching grant for orphan wells. The grant is equal to the amount that the State certifies to the Secretary of the Department of Interior the State will expend during the fiscal year less the average annual amount expended by the State during the period of fiscal years 2010 through 2019. For an example, if the Board received the full statutory appropriation to the damage mitigation at the start of the biennium, it would have \$325,000 per fiscal year to spend. The Board expended about \$250,000 per fiscal year during the timeframe of 2010-2019, so it is estimated we could receive a match of \$75,000. Additionally, as of January 11th there are new stipulations to federal grants where the Endangered Species Act and the National Historic Preservation Act must be reviewed. This could complicate plugging wells on private land.

Due to the difficulty in gathering the extensive contractor's records needed to calculate the average annual amount expended from 2010 to 2019, and no current orphan wells to be plugged, Mr. Jones does not recommend pursuing the grant. There is still an opportunity to apply for this grant in future years.

The EPA has a federal grant to assist states in establishing and operating a UIC class VI primacy program. Montana is 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 set a March 30, 2024, application deadline that would enable funds to be received in the current federal fiscal year. Staff will start the application process to try to meet the March deadline.

The Groundwater Protection Council (GWPC) is going to play an active role in helping states pursue class VI primacy. Mr. Jones will be going to the GWPC conference at the end of the month and will continue to compile resources to help pursue class VI primacy.

STAFF REPORTS

Ben Jones

Mr. Jones welcomed the new UIC director, Amit Garg. Mr. Garg started work on February 5th.

Ben Davis

Mr. Davis provided the Board an update on well activity, attached as Exhibit 7.

OTHER BUSINESS

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

PUBLIC HEARING

The Board reconvened on Thursday, February 15, 2024, at 9:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana, to hear the matters docketed for public hearing. As a result of the discussion, testimony, technical data, and other evidence placed before the Board, the following action was taken in each matter.

Docket 1-2024 – 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 14-2024.

Docket 2-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 1-2024.

Docket 3-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 2-2024.

Docket 4-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 3-2024.

Docket 5-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 4-2024.

Docket 6-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 5-2024.

Docket 7-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 6-2024.

Docket 8-2024 – A motion was made by Mr. Tietz, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 7-2024.

Docket 9-2024 – A motion was made by Mr. Tietz, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 8-2024.

Docket 10-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 9-2024.

Docket 11-2024 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 12-2024 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 13-2024 – The application of Rim Operating, Inc. was continued to the April 2024 hearing.

Docket 14-2024 – The application of Rim Operating, Inc. was continued to the April 2024 hearing.

Docket 15-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 10-2024.

Docket 16-2024 – The application of White Rock Oil & Gas, LLC was continued to the April 2024 hearing.

Docket 17-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 11-2024.

Docket 18-2024 – A motion was made by Mr. Tietz, seconded by Mr. Welter and unanimously passed, to approve the application of EMEP Operating, LLC as set forth in Board Order 12-2024.

Docket 19-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of EMEP Operating, LLC as set forth in Board Order 13-2024.

Docket 20-2024 / 6-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Welter and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 17-2024.

Docket 21-2024 / 7-2024 FED – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 18-2024.

Docket 22-2024 / 8-2024 FED – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to deny the application of Continental Resources Inc as set forth in Board Order 19-2024.

Docket 23-2024 / 9-2024 FED – The application of Continental Resources Inc was continued to the April 2024 hearing.

Docket 24-2024 – 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 Cline Production Company was approved as set forth in Board Order 15-2024.

Docket 25-2024 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Hydra MT, LLC was approved as set forth in Board Order 16-2024.

Docket 26-2024 – The application of White Rock Oil & Gas, LLC was continued to the April 2024 hearing.

Docket 101-2023 – The application of Wildcat Fluid Solutions LLC was withdrawn.

Docket 27-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, that Bootstrap Oil LLC is fined \$1,000 for failure to appear at the February 15, 2024, public hearing. Bootstrap Oil LLC is to appear at the April 11, 2024, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production and injection reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the February 15, 2024, public hearing. This is set forth in Board Order 20-2024.

Docket 28-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, that Hawley Oil Company is fined \$1,000 for failure to appear at the February 15, 2024, public hearing. Hawley Oil Company is to appear at the April 11, 2024, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production and injection reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the February 15, 2024, public hearing. This is set forth in Board Order 21-2024.

Docket 29-2024 – The show-cause hearing of Justice SWD, LLC was dismissed.

Docket 30-2024 – The show-cause hearing of Yellowstone Petroleums, Inc was dismissed.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, April 10, 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, April 11, 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 April 11th public hearing is March 7, 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