

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
April 10 & 11, 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, April 10, 2024, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Roy Brown, Mac McDermott, Corey Welter, and Jeff Wivholm. Board member John Tietz was absent. Staff present was Ben Jones, Ben Davis, Amit Garg, Liz Leman, and Jennifer Breton.

Board member Paul Gatzemeier recently passed away. Chairman Durrett stated that Mr. Gatzemeier provided valuable contributions to the Board. It will be up to the governor's office to appoint a new Board member in the vacant position.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Garth Harmon is the surface owner of the Harmon 1-29 well that is operated by White Rock Oil and Gas (White Rock). This well has been shut-in for multiple years and has several housekeeping issues. Mr. Harmon requested the Board to take action against the operator and order the well to be plugged and abandoned. Mr. Harmon also requested that the Board support legislation preventing oil companies that prove to be bad actors from profiting at the expense of innocent surface owners. The letter is attached as Exhibit 1.

Staff was not aware of any issues on the Harmon 1-29 well site until recently. Mr. Davis has reached out to White Rock. Mr. Davis will monitor White Rock to make sure the surface issues are addressed.

Chairman Durrett commented that staff needs to be notified of issues that are in violation of Board rules so a field inspector can inspect the location and work with the operator to get the issues resolved. If the issues can't be resolved at the field level, then the matter is elevated to Board staff which could result in the operator being discussed at a business meeting or docketed for a show-cause hearing.

Mr. Harmon then stated that oilfield operators are dumping waste hauled in from out of state onto his land without his approval.

DEQ has jurisdiction over companies hauling waste and this is not within the Board's authority.

Dwight Vannatta, member of Northeast Montana Land & Minerals Owners Association, Inc., voiced his concerns that are shared by other association members regarding overlapping temporary spacing units.

Mr. Vannatta received notification from an operator who is planning an overlapping temporary spacing unit over lands that have been permanently spaced with producing wells. Mr. Vannatta was worried about the

underlying permanent spacing unit and the correlative rights. He was hoping the Board could provide a policy document on how it views overlapping temporary spacing units.

Chairman Durrett replied that overlapping temporary spacing units are a complicated issue that are handled on a case-by-case basis. It would be very difficult to establish a one size fits all policy. The underlying permanent spacing unit remains in effect and is then limited to the wells in that spacing unit. The Board has the statutory responsibility to protect correlative rights, promote the full and orderly development of oil and gas resources, and prevent waste.

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

APPROVAL OF MINUTES

A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the minutes of the February 14, 2024, business meeting.

REVIEW OF DIGITAL OPERATING'S REDUCTION IN PLUGGING LIABILITY

Mr. Davis provided an update on Digital Operating, attached as Exhibit 2.

Mr. Davis noted that today's discussion was only a staff update and Board records indicate the number of wells that have not had reported production in over two years has remained at the same level following approval of the last transfer to Digital Operating. He recommended Digital Operating appear at the Board's October 9, 2024, business meeting to provide an update of its actions taken to reduce its plugging liability.

Motion: Mr. Brown made the motion to approve the recommendation. Mr. Welter seconded, and the motion passed unanimously. The Board issued Administrative Order 1-A-2024, attached as Exhibit 3.

DELINQUENT ANNUAL UIC FEES

Mr. Amit Garg brought to the Board's attention Bootstrap Oil LLC (Bootstrap Oil) and Coalridge Disposal and Petroleum, Inc. (Coalridge) who are the remaining UIC operators who have not paid the 2024 annual injection fee of \$200 per injection well that was due on January 31, 2024. Mr. Garg reviewed Exhibit 4.

Mr. Garg recommended the Board assess Bootstrap Oil a \$100 late fee for its one injection well and Coalridge a \$200 late fee for its two injection wells for failure to pay its annual injection well fee prior to the deadline. Mr. Garg also recommended both operators appear and show cause at the June hearing, why additional penalties should not be imposed for failure to pay the annual injection fee for its permitted injection wells and the late fee assessed for nonpayment.

Motion: Mr. Wivholm made the motion to approve the recommendation. Mr. McDermott seconded, and the motion passed unanimously. The Board issued administrative orders for Bootstrap Oil and Coalridge, attached as Exhibit 5.

FINANCIAL REPORT

Mrs. Breton discussed the financial statement, attached as Exhibit 6.

BOND SUMMARY & INCIDENT REPORT

Mr. Jones presented the bond report and the incident report, attached as Exhibit 7 & 8.

DOCKET SUMMARY

Mr. Jones presented the docket summary, attached as Exhibit 9.

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 10.

ORPHAN WELL AND FEDERAL GRANT UPDATE

Since the last meeting, there has been minimal activity on the plugging of orphan wells.

Greenfield Environmental LLC (Greenfield) was awarded the Plentywood West contract for the plugging of six wells. The contract is in the amount of \$1.6 million. Recently, this contractor has turned over its operations to Rix Energy Services, LLC (Rix). Rix's CEO has been in contact with staff and are trying to determine if they are capable or liable to fulfill Greenfield's contract. Greenfield posted a performance bond of \$139,000 that is payable to the Board if Greenfield is unable to fulfill the contract obligations. Ms. Leman will be speaking with Rix's attorney. The damage mitigation account is getting close to the \$1 million cap, so those funds could be used to offset higher bids in the event we have to go out to bid again to plug the six wells. Mr. Jones will reach out to the DOI to see about re-obligating the federal funding.

The Department of Interior released guidance for the matching grant for orphan wells. Unlike with the initial grant, the matching grant has new stipulations where states must apply the Endangered Species Act and the National Historic Preservation Act. States are trying to get exemption from these stipulations.

Mr. Jones, Mr. Davis, and Mr. Garg attended Denbury Onshore, LLC's public meeting in Ekalaka. The main topic of discussion was the BLM's plan of development, but the topic of pore space utilization was of concern to many members of the public present. The Board has no authority to unitize pore space for carbon sequestration until it receives class VI primacy through the EPA. The legislature could change statutes to allow the Board to unitize pore space without class VI primacy, but the EPA would still be the approving authority to grant class VI injection permits. This would be like the process in Wyoming where the Wyoming Oil and Gas Conservation Commission can unitize pore space for carbon sequestration, but the Wyoming DEQ issues the class VI injection permit.

STAFF REPORTS

Amit Garg

Mr. Garg submitted the UIC class VI grant application to the EPA prior to the application deadline. Meeting this deadline may enable funds to be received in the current federal fiscal year. Montana is eligible for approximately \$1.9 million that will be used to assist Montana in establishing and operating a UIC class VI primacy program.

Ben Davis

Mr. Davis provided the Board an update on well activity, attached as Exhibit 11.

Mr. Davis brought to the Board's attention Montana Energy Company, LLC (MEC). MEC has a leak at its CSTSU D116 that needs to be remedied immediately. An overview of the timeline, correspondence, and a picture is attached as Exhibit 12.

Mr. Davis recommended that MEC must have the CSTSU D116 well repaired by the May 9, 2024, hearing application deadline or is subject to a \$100 fine for each day after the deadline that the violation remains unresolved. The fine will remain in effect until compliance is confirmed by inspection. Failure to come into compliance by that date will result in MEC being ordered to show cause at the June 13, 2024, public hearing, as to why additional penalties should not be imposed for failure to remedy the field violation.

Motion: Mr. McDermott made the motion to approve the recommendation. Mr. Wivholm seconded, and the motion passed unanimously. The Board issued Administrative Order 4-A-2024, attached as Exhibit 13.

Ben Jones

Mr. Jones attended the GWPC meeting in February where one of the main topics of discussion was class VI UIC primacy. A critical aspect of the class VI UIC primacy will be data management. Mr. Jones plans to apply grant funds to help GWPC develop software that will tie into the division's current risk-based data management system (RBDMS) that GWPC previously developed.

In May, Mr. Jones will attend the IOGCC annual business meeting in Oklahoma City.

The BLM has recently finalized federal waste prevention rules (methane reduction) that would restrict the amount of flaring from federal minerals considerably. Only in emergency situations would operators be allowed to flare in very small amounts, and in most circumstances, operators would have to curtail production when flaring is necessary to meet these rule requirements. Often flaring occurs when there is limited gas plant capacity and having to curtail production on federal wells would reduce income to the state and other mineral owners in the spacing unit who share in the production from the well. Additionally, these rules may prevent future exploration of federal minerals where no gas capture infrastructure is currently present.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, April 11, 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 31-2024 – The application of True Oil LLC was continued to the June 2024 hearing.

Docket 32-2024 – A motion was made by Mr. Wivholm, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 22-2024.

Docket 33-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 23-2024.

Docket 34-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 24-2024.

Docket 35-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 25-2024.

Docket 36-2024 – 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 26-2024.

Docket 37-2024 – 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 27-2024.

Docket 38-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 28-2024.

Docket 39-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 29-2024.

Docket 40-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 30-2024.

Docket 41-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 31-2024.

Docket 42-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 32-2024.

Docket 43-2024 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 33-2024.

Docket 44-2024 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 34-2024.

Docket 45-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 35-2024.

Docket 46-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 36-2024.

Docket 47-2024 – A motion was made by Mr. McDermott, seconded by Mr. Wivholm and passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 37-2024. Mr. Brown opposed the motion.

Docket 48-2024 – The application of Grayson Mill Operating, LLC was continued to the June 2024 hearing.

Docket 49-2024 – A motion was made by Mr. McDermott, seconded by Mr. Wivholm and passed, to approve the application of Grayson Mill Operating, LLC as set forth in Board Order 38-2024. Mr. Brown opposed the motion.

Docket 50-2024 – The application of Grayson Mill Operating, LLC was continued to the June 2024 hearing.

Docket 51-2024 – The application of Grayson Mill Operating, LLC was continued to the June 2024 hearing.

Docket 52-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 40-2024.

Docket 53-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 41-2024.

Docket 54-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Texakoma Exploration & Production LLC as set forth in Board Order 42-2024.

Docket 55-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Texakoma Exploration & Production LLC as set forth in Board Order 43-2024.

Docket 56-2024 – A motion was made by Mr. Brown, seconded by Mr. Wivholm and unanimously passed, to approve the application of Texakoma Exploration & Production LLC as set forth in Board Order 44-2024.

Docket 57-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Texakoma Exploration & Production LLC as set forth in Board Order 45-2024.

Docket 58-2024 – The application of Three Forks Resources, LLC was withdrawn.

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

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

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

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

Docket 26-2024 – 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 39-2024.

Docket 59-2024 – The show-cause hearing of Big Sky Energy, LLC was dismissed.

Docket 60-2024 – The show-cause hearing of Comanche Drilling Company was dismissed.

Docket 61-2024 – The show-cause hearing of Cypress Energy Partners-Sheridan SWD, LLC was dismissed.

Docket 62-2024 – The show-cause hearing of Diamond Halo Group LLC was dismissed.

Docket 63-2024 – The show-cause hearing of Parsell, RF Partnership was dismissed.

Docket 64-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Bootstrap Oil LLC is fined \$1,000 for failure to appear at the April 11, 2024, public hearing and is to appear at the June 13, 2024, public hearing, if any it has, for why it should not immediately plug and abandon or transfer its three wells in Sheridan County, Montana. This is set forth in Board Order 46-2024.

Docket 65-2024 – A motion was made by Mr. McDermott, seconded by Mr. Wivholm and unanimously passed, that Docket 65-2024, Hawley Oil Company, is dismissed. Board staff will send a letter to Hawley reminding them of the reporting requirements. This is set forth in Board Order 47-2024.

Docket 135-2023 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, that staff will provide the Board an update at the October 9, 2024, business meeting of Yellowstone Petroleum, Inc.'s progress to reduce its plugging liability. The Essex-Thompson 1 and Myhre 3-25 must be plugged and abandoned in 2024, and the following inactive wells must be reactivated, transferred, or plugged and abandoned per the schedule below.

Year	Well Name	API	Location	Footage
2025	Banka 6-7	073-21535	27N-2W-7 SW SE NW	2310 FNL, 1575 FWL
	Banka 11-7	073-21552	27N-2W-7 SW NE SW	1650 FSL, 1650 FWL
	State 5-16	073-21621	27N-2W-16 NE SW NW	1650 FNL, 990 FWL
	State 11C-16	073-21624	27N-2W-16 SW NE SW	1725 FSL, 1650 FWL
	Denzer 7-21	073-21520	27N-2W-21 SW SW NE	2310 FNL, 2310 FEL
	Denzer 8-21	073-21521	27N-2W-21 NW SE NE	1650 FNL, 990 FEL
	Denzer 2-21	073-21522	27N-2W-21 SW NW NE	990 FNL, 2310 FEL
	Oien 6-21-27-2W	073-21544	27N-2W-21 NW SE NW	1650 FNL, 1650 FWL
Denzer 3-21	073-21622	27N-2W-21 NE NE NW	330 FNL, 2310 FWL	
2026	George 2X	101-05407	34N-2W-8 SW SW SE	243 FSL, 2420 FEL
	George 4-X	101-05384	34N-2W-8 E2 SW SE	650 FSL, 1540 FEL
	George 1	101-05390	34N-2W-8 SE SW SE	330 FSL, 1650 FEL
	George 10-8	101-22297	34N-2W-8 SE NW SE	1540 FSL, 1540 FEL
	George 3	101-60265	34N-2W-8 W2 SW SE	660 FSL, 2420 FEL
	Blumberg 4	101-05710	35N-3W-32 SE NE NE	1100 FNL, 220 FEL
	Blumberg 5	101-05715	35N-3W-32 W2 NW NE	660 FNL, 2420 FEL
	Blumberg 3	101-05728	35N-3W-32 NE NW NE	330 FNL, 1650 FEL
	Blumberg 2	101-05734	35N-3W-32 NW NW NE	220 FNL, 2420 FEL
	Blumberg Cox 1	101-21922	35N-3W-32 NE SE NE	1540 FNL, 220 FEL
	Blumberg 8-32	101-22298	35N-3W-32 NW SE NE	1650 FNL, 1100 FEL
	Thumm 1	101-05712	35N-3W-33 SW NW NW	1100 FNL, 220 FWL
	Thumm 2	101-05732	35N-3W-33 NW NW NW	220 FNL, 220 FWL
	Thumm 3	101-05709	35N-3W-33 NW NW	1100 FNL, 660 FWL

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, June 12, 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, June 13, 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 June 13th public hearing is May 9, 2024.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

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

ATTEST:

Jennifer Breton, Program Specialist