

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
BOARD OF OIL AND GAS CONSERVATION  
MINUTES OF THE MEETING AND PUBLIC HEARING  
June 12 & 13, 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, June 12, 2024, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Roy Brown, John Tietz, and Jeff Wivholm. Board members Mac McDermott and Corey Welter were absent. Staff present was Ben Jones, Ben Davis, John Gizicki, Liz Leman, and Jennifer Breton.

**PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS**

Ms. Susann Beug, from Northern Plains Resource Council (NPRC), is working on its legislative concepts and is gathering information regarding removing the cap on the Resource Indemnity Trust (RIT) fund account so there could be additional funding available from the RIT account to transfer to the Board's Damage Mitigation account for plugging orphan wells. Mr. Beug also mentioned rolling over of funds from the privilege and license tax account into the damage mitigation account. There has been great success plugging orphan wells with federal funds and NPRC wants to help find a way to deal with this issue in the long run. NPRC is not committing to anything at this point.

The Board appreciates NPRC's help but acknowledges it may be tough to pass legislation to increase the RIT fund because the tax that oil and gas operators paid to the RIT fund was redirected and now goes to many different places. In addition to increasing the cap, a new tax to industry may be required to grow the RIT account.

The Board has heard a senator is planning on carrying a bill this session for the rolling over of excess funds from the privilege and license tax account into the damage mitigation account.

The privilege and license tax account is funded by a tax on production and the damage mitigation account is funded from the interest on the RIT account. The funds in the damage mitigation account can only be used for the plugging and reclamation of orphaned wells.

Pat Mullaney, the surface owner of the Nordahl 2-11 well operated by Montana Energy Company, LLC (MEC), requested the Board to take action against MEC and order the well to be plugged and abandoned. This well has been shut in for 6-7 years and he has not been paid royalties.

Mr. Davis has reached out to MEC and is awaiting a response. A field inspector will be sent out to inspect the location.

Taylor Tytanic, Austin McMillen, and Leo Lasecki from Continental Resources Inc (Continental) provided a presentation on the development of section line wells in a temporary spacing unit along with a letter of support from White Rock Oil & Gas, attached as Exhibit 1.

Chairman Durrett supports the development of section line wells in certain cases; two applications were approved at the last hearing. There were two major differences in the applications. The first major difference was that at the February hearing, Continental testified it planned to drill multiple wells in the overlapping temporary spacing unit at the same time as the proposed boundary well, but Continental had not yet made the applications to drill the additional wells. If the application was approved, Continental would have had the ability to only drill the boundary well and hold the mineral rights of six sections with a single well. This application did not protect correlative rights and it was not in the interest of conservation of oil and gas. The second major difference was that in the applications that had recently been approved, there were already existing wells in the underlying spacing units that held the leases.

The individual spacing units should be developed before an overlapping spacing unit is authorized for the drilling of a section line well between two spacing units. Mr. Jones wanted to know if Continental would agree to a stipulation of having a well drilled on each side of a boundary well prior to the drilling of the boundary well in an order for an overlapping spacing unit.

Continental would agree to the stipulation.

Chairman Durrett recommended Continental to file the proper applications.

### **APPROVAL OF MINUTES**

A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, to approve the minutes of the April 10, 2024, business meeting.

### **REVIEW OF BRAINSTORM ENERGY, INC.'S REDUCTION IN PLUGGING LIABILITY**

Mr. Davis provided an update on Brainstorm Energy, Inc., attached as Exhibit 2.

Mr. Davis noted that today's discussion was only a staff update. He recommended staff continue to monitor Brainstorm Energy, Inc.

### **FINANCIAL REPORT**

Mrs. Breton discussed the financial statement, attached as Exhibit 3.

### **BOND SUMMARY & INCIDENT REPORT**

Mr. Jones presented the bond report and the incident report, attached as Exhibit 4 & 5.

### **DOCKET SUMMARY**

Mr. Jones presented the docket summary, attached as Exhibit 6.

## **GAS FLARING EXCEPTIONS**

Mr. Jones discussed the gas flaring report, attached as Exhibit 7. There are three Petro-Hunt wells flaring in excess of 100 MCFG/day with an exception request. Due to no gas capturing infrastructure in the area, it is not economical for these wells to be connected to a pipeline. Mr. Jones recommended a year exception for Petro-Hunt.

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

## **INACTIVE WELL REVIEW**

Mr. Davis reviewed a list of inactive well operators and their current statuses, attached as Exhibit 8.

Mr. Davis recommended Walter S. Fees, Jr. & Son Oil & Gas and R & A Oil, Inc. to submit its plans for its inactive wells by July 11, 2024, hearing application deadline or show cause at the August 15, 2024, public hearing, as to why it should not immediately plug and abandon its inactive wells.

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

The Board issued administrative orders for Walter S. Fees, Jr. & Son Oil & Gas and R & A Oil, Inc., attached as Exhibit 9.

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

Since the last meeting, 11 orphaned wells have been plugged with 81 remaining under contract to be plugged by two contractors.

Mr. Jones is still awaiting a response from the DOI to see if we are authorized to re-obligate the federal funds from the contract with Greenfield Environmental LLC (Greenfield), if it is unable to fulfill its \$1.6 million contract for the plugging of six wells. It has been indicated to Board staff that Greenfield has ceased operations. Mr. Jones expects higher rebidding costs for this contract. These costs could be offset by using the ‘contingency funds’ added to the federal contracts, damage mitigation account funds, and Greenfield’s \$139,000 performance bond that would be received if the contractor is unable to fulfill the contract obligations.

The federal matching grant has new stipulations where states must apply the Endangered Species Act and the National Historic Preservation Act. These stipulations create new complexities that could prevent us from pursuing future federal grants for plugging orphaned wells.

The UIC class VI grant application was submitted to the EPA prior to the application deadline in March and staff is waiting on feedback from the EPA.

## **STAFF REPORTS**

### **Ben Jones**

The recent hire for the UIC director position resigned after a few months. Mr. Jones is excited to announce that John Gizicki, chief field inspector, will permanently step into the UIC director role.

The default docket policy was adopted by the Board to speed up lengthy board hearings. Dockets that are eligible for the default docket are temporary spacing unit requests, underground injection permit applications, decline rate certification, increased well density requests within an existing spacing unit, etc. Applicants must submit the exhibits 10 days prior to hearing. If no protests are received, items on the default docket are entered as one motion. Protested dockets are heard as a normal docket and applicants are expected to be available to provide testimony.

In 2009, the Board issued a notice that there would be no default docket if 25 or fewer applications were received for a specific hearing. That has typically been the case since oil price dropped in 2015 and there has not been a need for the default docket. So far this year, we are averaging over 30 dockets received per hearing, but we have not had the default docket for applications other than injection permits and tax certifications.

There was discussion of whether to reinstate the policy for applications other than injection permit applications and decline rate certifications and whether the minimum application amount of 25 should be increased to 40 or more dockets.

The Board decided to continue with the policy as it has been for the last several years and not consider applications other than injection permit applications and tax certifications. If there gets to be a significant increase in applications received, the Board will again review the policy.

In 1990, there was a notice sent to operators reminding them of a memorandum of understanding with the BLM that hearing applications must list any federal or tribal lands affected in the application and then a federal docket number is assigned by BOGC staff. Lately, multiple operators/attorneys are not aware of this stipulation and as a result the BLM is asking operators to withdraw its applications and resubmit new applications to meet this stipulation. Mr. Jones wanted to know if this policy should be mailed out to the attorneys and operators on the mailing list as a courtesy to the BLM. The board agreed.

A formal data request has been requested on behalf of MEIC. The request is for information relating to shut in wells that include lists of wells, inspection and testing reports, and emails/correspondence between the Board, Board staff, and multiple organizations over the last two years. A lot of the information and discussion related to this request has been a business meeting topic on the agenda for the last five years.

Mr. Jones will be a presenter at the annual teacher workshop. This workshop used to be funded by the Board and provides teachers an overview of oil and gas development.

Mr. Jones will also provide an update at the annual Montana Association of Oil, Gas, and Coal Counties meeting in Lewiston next week.

**Ben Davis**

Mr. Davis brought to the Board's attention Noah Energy, Inc.'s (Noah Energy) Rockport 16-19-27-6HZ well, API # 099-21315, and Rockport 14-19-27-6HZ well, API # 099-21320. These wells do not have a well identification sign and are in violation of ARM 36.22.1202.

Mr. Davis recommended that Noah Energy must post a well identification sign at the Rockport 16-19-27-6HZ well and the Rockport 14-19-27-6HZ well locations by the July 11, 2024, hearing application deadline or is subject to a \$25 fine for each day after the deadline that the violation remains unresolved. The fine will remain in effect until compliance is confirmed by inspection. The failure to come into compliance by the deadline will result in Noah Energy being ordered to show cause at the August 15, 2024, public hearing, as to why additional penalties should not be imposed for failure to remedy the field violation. Board staff has the authority to dismiss the docket if the violation is resolved and any fine assessed has been paid.

**Motion:** Mr. Brown made the motion to approve the recommendation. Mr. Tietz seconded, and the motion passed unanimously. The Board issued Administrative Order 7-A-2024, attached as Exhibit 10.

Dan Roark submitted to the Board his plans to relocate the humic sludge on his property and reclaim the produced water evaporation pit associated with the Hocksprung 1 well as soon as weather allows and no later than June 25<sup>th</sup>. Mr. Roark is still awaiting a response from DEQ who established deadlines for the removal of material that was being improperly stored on the property.

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

**OTHER BUSINESS**

The Board discussed the Board's vice chair appointment. Mr. Wivholm nominated Mr. Welter.

**Motion:** Mr. Wivholm made the motion to nominate Mr. Welter as vice chairman. Mr. Brown seconded, and the motion passed unanimously.

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

## **PUBLIC HEARING**

The Board reconvened on Thursday, June 13, 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 66-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 49-2024.

Docket 67-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 50-2024.

Docket 68-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and passed, to approve the application of Bluebird Energy, LLC as set forth in Board Order 55-2024.

Docket 69-2024 – 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 56-2024.

Docket 70-2024 – A motion was made by Mr. Brown, seconded by Mr. Tietz and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 57-2024.

Docket 71-2024 – 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 58-2024.

Docket 72-2024 – 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 59-2024.

Docket 73-2024 – 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 60-2024.

Docket 74-2024 – 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 61-2024.

Docket 75-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 62-2024.

Docket 76-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 63-2024.

Docket 77-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 51-2024.

Docket 78-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 52-2024.

Docket 79-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 53-2024.

Docket 80-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 54-2024.

Docket 81-2024 – The application of White Rock Oil & Gas, LLC was continued to the August 2024 hearing.

Docket 82-2024 – The application of White Rock Oil & Gas, LLC was continued to the August 2024 hearing.

Docket 83-2024 – The application of Continental Resources Inc was withdrawn.

Docket 84-2024 – The application of Continental Resources Inc was withdrawn.

Docket 85-2024 – The application of Phoenix Operating LLC was withdrawn.

Docket 86-2024 – The application of Phoenix Operating LLC was withdrawn.

Docket 87-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Oasis Petroleum North America LLC as set forth in Board Order 65-2024.

Docket 88-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, to approve the application of Oasis Petroleum North America LLC as set forth in Board Order 66-2024.

Docket 89-2024 / 10-2024 FED – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Oasis Petroleum North America LLC as set forth in Board Order 67-2024.

Docket 90-2024 – 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 64-2024.

Docket 13-2024 – The application of Rim Operating, Inc. was withdrawn.

Docket 14-2024 – The application of Rim Operating, Inc. was withdrawn.

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

Docket 31-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of True Oil LLC as set forth in Board Order 68-2024.

Docket 91-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from White Rock Oil & Gas, LLC to T2 Operating Corporation. This is set forth in Board Order 69-2024.

Docket 92-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Avery Bakken Disposals, LLC to Missouri River Holdings LLC. This is set forth in Board Order 70-2024.

Docket 93-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Beartooth Oil & Gas Company to SkyDance Resources, LLC. This is set forth in Board Order 71-2024.

Docket 94-2024 and Docket 99-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed that Bootstrap Oil LLC is fined \$1,000 for failure to appear at the June 13, 2024, public hearing and must begin to plug and abandon or transfer its wells capable of production prior to the August 15, 2024, public hearing. Failure to begin to plug and abandon or transfer the wells may result in additional penalties or the forfeiture of the plugging and reclamation bonds in its entirety, as permitted by § 82-11-123(5), MCA. This is set forth in Board Order 74-2024.

Docket 95-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed that Coalridge Disposal & Petroleum is fined \$1,000 for failure to appear at the June 13, 2024, public hearing and is to appear at the August 15, 2024, public hearing and show-cause, if any it has, why its two injection permits should not be revoked and why it should not be required to provide a plan and timeline for the plugging of its inactive wells in Sheridan County, Montana. This is set forth in Board Order 72-2024.

Docket 96-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed that Montana Energy Company, LLC (MEC) must repair the CSTSU D116 well to the extent no more fluids are leaking to the surface by the July 11, 2024, hearing application deadline or MEC's wells are to be immediately shut-in for illegal production per ARM 36.22.1245. MEC must fence the pit by June 20, 2024. The \$100 daily fine remains in effect until compliance is achieved and confirmed by inspection. Docket 96-2024 is continued until the August 15, 2024, public hearing. This is set forth in Board Order 73-2024.

Docket 97-2024 – The show-cause hearing of Hesla Oil, LLC was dismissed.

Docket 98-2024 – The show-cause hearing of McOil Montana One LLC was dismissed.



Docket 104-2023 – A motion was made by Mr. Wivholm, seconded by Mr. Tietz and unanimously passed that Docket 104-2023, Interstate Explorations, LLC, is dismissed. This is set forth in Board Order 75-2024.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, August 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, August 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 August 15<sup>th</sup> public hearing is July 11, 2024.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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

ATTEST:

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Jennifer Breton, Program Specialist