

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
BOARD OF OIL AND GAS CONSERVATION  
MINUTES OF THE MEETING AND PUBLIC HEARING  
August 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, August 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. Staff present was Ben Jones, Ben Davis, John Gizicki, Liz Leman, and Jennifer Breton.

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

Pat Mullaney, requested an update regarding his issue he brought before the Board at the June meeting. Mr. Mullaney is the surface owner of the Nordahl 2-11 well operated by Montana Energy Company, LLC (MEC), that has been shut in for 6-7 years and he has not been paid royalties. Mr. Mullaney wants to see this well plugged and abandoned.

Mr. Davis reached out to MEC after the June meeting and has not received a response. He will send a follow-up letter to MEC requesting evidence of an active lease that gives it the legal right to produce the well and request the plan and timeline for reactivating or plugging the well. The deadline will be the October business meeting and Mr. Davis will provide the Board an update at that meeting.

**APPROVAL OF MINUTES**

A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the minutes of the June 12, 2024, business meeting.

**REVIEW OF HB OIL, LLC REDUCTION IN PLUGGING LIABILITY**

Mr. Davis provided an update on HB Oil, LLC, attached as Exhibit 1. Mr. Davis recommended HB Oil appear at the October 10, 2024, public hearing to provide an update of its efforts to reduce its plugging liability and to review its plugging and reclamation bonds to determine if the coverage is adequate under § 82-11-123(5), MCA.

**Motion:** Mr. Welter made the motion to approve the recommendation. Mr. Brown seconded, and the motion passed unanimously. The Board issued Administrative Order 8-A-2024, attached as Exhibit 2.

**REVIEW OF NEW HORIZON RESOURCES LLC REDUCTION IN PLUGGING LIABILITY**

Mr. Davis provided an update on New Horizon Resources LLC, attached as Exhibit 3.

Mr. Davis noted that today's discussion was only a staff update. He recommended staff continue to monitor New Horizon Resources LLC.

### **REVIEW OF SPRINGLINE OPERATING LLC REDUCTION IN PLUGGING LIABILITY**

Mr. Davis provided an update on Springline Operating LLC, attached as Exhibit 4.

Mr. Davis noted that today's discussion was only a staff update. He recommended staff continue to monitor Springline Operating LLC.

### **CONTANGO RESOURCES, INC.**

Mr. Gizicki brought to the Board's attention Contango Resources, Inc. (Contango) and its violations at the EBM2 309, attached as Exhibit 5.

Mr. Gizicki recommended Contango be fined \$4,000 for failure to meet the requirements of ARM 36.22.1010(1), 36.22.1416(8), and 36.22.1417(1) & (2) with respect to the EBM2 309 well.

**Motion:** Mr. Welter made the motion to approve the recommendation. Mr. Brown seconded, and the motion passed unanimously. The Board issued Administrative Order 9-A-2024, attached as Exhibit 6.

### **FINANCIAL REPORT**

Mrs. Breton discussed the financial statement, attached as Exhibit 7.

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

Mr. Jones presented the bond report and the incident report, attached as Exhibit 8 & 9.

### **DOCKET SUMMARY**

Mr. Jones presented the docket summary, attached as Exhibit 10.

### **GAS FLARING EXCEPTIONS**

Mr. Jones discussed the gas flaring report, attached as Exhibit 11. There are four Kraken Operating, LLC (Kraken) wells flaring in excess of 100 MCFG/day with an exception request. All these wells are connected to a gas pipeline, but due to capacity constraints, Kraken is unable to sell the gas. Mr. Jones recommended a six-month exception for Kraken.

**Motion:** Mr. Wivholm made the motion to approve the recommendation. Mr. McDermott 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 12.

Mr. Davis recommended T.W.O. (Taylor Well Operating) be required to submit its plans and timeline for its inactive wells by September 5, 2024, hearing application deadline or show cause at the October 10, 2024, public hearing, as to why it should not immediately plug and abandon its inactive wells in Liberty and Toole Counties, Montana.

**Motion:** Mr. Welter made the motion to approve the recommendation. Mr. McDermott seconded, and the motion passed unanimously. The Board issued Administrative Order 10-A-2024, attached as Exhibit 13.

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

There have been 152 orphan wells plugged and there are 77 wells remaining to be plugged.

DOI has authorized the Board to re-obligate the federal funds from the contract with Greenfield Environmental LLC (Greenfield), since it is unable to fulfill its \$1.6 million contract for the plugging of six wells. Ms. Leman has been working with Greenfield's attorney for an agreement to terminate the contract with the Board and for the Board to retain the performance bond of \$139,000 that was required by the contract. This bond can go towards the offsetting the potentially higher bids when another solicitation is posted for this group of wells.

The UIC class VI grant application was approved by the EPA and the Board received its award of \$1.69 million.

Mr. Jones noted that there are several conferences coming up in the coming weeks that board staff will be attending. One of the key takeaways from these conferences will be discussions of class VI primacy amongst other states and continuing to develop the plan for utilizing the class VI grant funds.

## **STAFF REPORTS**

### **Ben Jones**

Mr. Jones provided a staff update. Scot Bloomfield, Roundup field inspector, accepted the chief field inspector position. Buck Thomas was hired to take over as the Roundup field inspector.

### **John Gizicki**

Mr. Gizicki brought to the Board's attention D&A Water Disposal LLC (D&A) for failure to demonstrate the mechanical integrity at the BN 12-11 well and to properly maintain the BN 12-11 wellsite, attached as Exhibit 14.

Mr. Gizicki recommended if D&A fails to come into compliance by the September 5, 2024, hearing application deadline, D&A is ordered to show cause at the October 10, 2024, public hearing, as to why additional penalties should not be imposed for failure to remedy the field violations. Board staff has authority to dismiss the docket if the violations are resolved prior to the October 10, 2024, public hearing.

**Motion:** Mr. Brown made the motion to approve the recommendation. Mr. McDermott seconded, and the motion passed unanimously. The Board issued Administrative Order 11-A-2024, attached as Exhibit 15.

### **Ben Davis**

Mr. Davis provided the Board an update on well activity, attached as Exhibit 16.

Mr. Davis brought to the Board's attention Brainstorm Energy, Inc. (Brainstorm) and its Goeddertz 21 well, API # 101-10187, a picture is attached as Exhibit 17. Brainstorm completed work on this well without approval and has compliance issues to address. Mr. Klotz, Shelby field inspector, has established a timeline for Brainstorm to come into compliance.

### **OTHER BUSINESS**

No other business discussed.

### **EXEMPT STAFF PERFORMANCE REVIEW**

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, August 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 100-2024 / 11-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Brown and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 76-2024.

Docket 101-2024 / 12-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Brown and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 77-2024.

Docket 102-2024 / 13-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 78-2024.

Docket 103-2024 / 14-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 79-2024.

Docket 104-2024 / 15-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 80-2024.

Docket 105-2024 / 16-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 81-2024.

Docket 106-2024 – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 82-2024.

Docket 107-2024 – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 83-2024.

Docket 108-2024 – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 84-2024.

Docket 109-2024 / 17-2024 FED – The application of Continental Resources Inc was continued to the October 2024 hearing.

Docket 110-2024 – A motion was made by Mr. McDermott, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 86-2024.

Docket 111-2024 – A motion was made by Mr. McDermott, seconded by Mr. Tietz and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 88-2024.

Docket 112-2024 – The application of Scout Energy Management LLC was withdrawn.

Docket 113-2024 – A motion was made by Mr. Tietz, seconded by Mr. Brown and unanimously passed, to approve the application of Scout Energy Management LLC as set forth in Board Order 89-2024.

Docket 114-2024 / 18-2024 FED – A motion was made by Mr. Tietz, seconded by Mr. McDermott and unanimously passed, to approve the application of Hell Creek Crude LLC as set forth in Board Order 90-2024.

Docket 115-2024 – A motion was made by Mr. Brown, seconded by Mr. McDermott and unanimously passed, to approve the application of Montana Board of Oil and Gas Conservation as set forth in Board Order 91-2024.

Docket 116-2024 – A motion was made by Mr. Brown, seconded by Mr. McDermott and unanimously passed, to approve the application of Montana Board of Oil and Gas Conservation as set forth in Board Order 92-2024.

Docket 117-2024 – A motion was made by Mr. Wivholm, seconded by Mr. McDermott and unanimously passed, that MorningStar Operating LLC's \$100,000 multiple well bond is limited to 208 producing wells and one of the \$50,000 multiple well bonds is limited to 76 producing wells. Staff may proceed with administrative review and approval of the change of operator request from EMEP Operating, LLC to MorningStar Operating LLC. This is set forth in Board Order 93-2024.

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

Docket 81-2024 – A motion was made by Mr. McDermott, seconded by Mr. Brown and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 85-2024.

Docket 82-2024 – A motion was made by Mr. McDermott, seconded by Mr. Tietz and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 87-2024.

Docket 118-2024 – A motion was made by Mr. Tietz, seconded by Mr. Brown and unanimously passed that Justice SWD, LLC is fined \$1,000 for failure to appear at the August 15, 2024, public hearing. Justice is to appear at the October 10, 2024, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file correct injection reports and failure to pay the penalty assessed for delinquent reporting in accordance with Board policy. This is set forth in Board Order 94-2024.

Docket 119-2024 – The show-cause hearing of Grassy Butte LLC was dismissed.

Docket 120-2024 – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed that Powder Battalion Holdings LLC is fined \$1,000 for failure to appear at the August 15, 2024, public hearing. Powder Battalion is to appear at the October 10, 2024, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production reports and failure to pay the penalty assessed for delinquent reporting. This is set forth in Board Order 95-2024.

Docket 121-2024 – A motion was made by Mr. Tietz, seconded by Mr. Wivholm and unanimously passed that Summit Gas Resources, Inc. is fined \$1,000 for failure to appear at the August 15, 2024, public hearing. Summit is to appear at the October 10, 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 and failure to pay the penalty assessed for delinquent reporting. This is set forth in Board Order 96-2024.

Docket 122-2024 – A motion was made by Mr. Wivholm, seconded by Mr. McDermott and unanimously passed to forfeit the plugging and reclamation bonds for Bootstrap Oil LLC. This is set forth in Board Order 97-2024.

Docket 123-2024 – A motion was made by Mr. Tietz, seconded by Mr. Brown and unanimously passed to revoke Coalridge Disposal & Petroleum's injection permits for the Astrup 1 SWD well, API # 25-091-21397, and the Spoklie 2-43 well, API # 25-091-2122, in Sheridan County, Montana. Coalridge must show cause at the October 10, 2024, public hearing for why it should not immediately plug and abandon its wells in Sheridan County, Montana. Coalridge is fined \$1,000 for failure to appear at the August 15, 2024, public hearing. This is set forth in Board Order 98-2024.

Docket 124-2024 – The show-cause hearing of Noah Energy, Inc was dismissed.

Docket 96-2024 – A motion was made by Mr. Brown, seconded by Mr. Tietz and unanimously passed that Montana Energy Company, LLC's outstanding fine of \$4,500 is reduced to \$2,500 and immediately payable. Docket 96-2024 is dismissed. This is set forth in Board Order 99-2024.

## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, October 9, 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, October 10, 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 October 10<sup>th</sup> public hearing is September 5, 2024.

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

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

ATTEST:

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Jennifer Breton, Program Specialist