

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION
MINUTES OF THE MEETING AND PUBLIC HEARING
October 9 & 10, 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, October 9, 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 Franklin, and Jennifer Breton.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Pat Mullaney requested an update regarding the Nordahl 2-11 well that is operated by Montana Energy Company, LLC (MEC).

Mr. Davis provide the Board with MEC's response to his request to provide evidence of an active lease that gives MEC the legal right to produce the well along with the plan and timeline for reactivating or plugging the well, attached as Exhibit 1.

MEC did not answer the question of an active lease nor provide supporting documentation.

The Board recommended Mr. Mullaney's wife and sister provide a statement to the Board that states there is no valid lease. Additionally, it was suggested by a Board member for a landman to review the lease and provide their expert opinion on whether the lease is valid.

APPROVAL OF MINUTES

A motion was made by Mr. Brown, seconded by Mr. Tietz and unanimously passed, to approve the minutes of the August 14, 2024, business meeting.

LONGEVITY & SERVICE AWARDS

Chairman Durrett presented certificates and longevity pins to the following individuals for their years of service to the state:

Ben Jones, 10 years
Russ Utter, 10 years (unable to attend)
Gary Klotz, 35 years (unable to attend)

PROPOSED HEARING SCHEDULE FOR 2025

The Board discussed and approved the 2025 meeting schedule, attached as Exhibit 2. Below are the 2025 business meeting and hearing dates:

February 19 & 20, 2025
April 9 & 10, 2025
June 11 & 12, 2025
August 13 & 14, 2025
October 8 & 9, 2025
December 10 & 11, 2025

Motion: Mr. Welter made the motion to 2025 hearing dates. Mr. Brown seconded and the motion passed unanimously.

REVIEW OF DIGITAL OPERATING COMPANY LLC REDUCTION IN PLUGGING LIABILITY

Mr. Jones reviewed an overview of Digital Operating, LLC (Digital Operating), attached as Exhibit 3.

Amy Clickner, COO, appeared on behalf of Digital Operating to provide the Board an update on its efforts to reduce its plugging liability.

At the end of September, Digital Operating plugged and abandoned the Bellezza 1-24 well. Digital Operating is unable to plug the Stinger 41-12 and Gifford 34-35 wells this year as it had planned and will plan on plugging the wells in 2025.

The Dethman 1-12HR, Brekke A-2, and the Deming 13-42 were brought online and plans to bring the Christensen 12-1 back online in 2025.

Board records don't show any new wells being reactivated. Digital Operating will follow up to verify production reports are being filed.

Progress has been made and staff will continue to monitor its progress.

REVIEW OF YELLOWSTONE PETROLEUMS, INC. REDUCTION IN PLUGGING LIABILITY

Mr. Davis provided an update on Yellowstone Petroleum, Inc. (Yellowstone), attached as Exhibit 4. Per Board Order 48-2024, Yellowstone needs to plug and abandon the Essex-Thompson 1 well, API # 25-035-07184, and the Myhre 3-25 well, API # 25-101-21802, before the end of the year. Yellowstone has not transferred, reactivated, plugged, or filed any intents to abandon any of its inactive wells.

Mr. Davis recommended that Yellowstone be required to plug and abandon the Essex-Thompson 1 and Myhre 3-25 wells by the January 16, 2025, hearing application deadline or Yellowstone must appear at the

February 20, 2025, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure comply with Board Order 48-2024.

Motion: Mr. Welter made the motion to approve the recommendation. Mr. Tietz seconded, and the motion passed unanimously. The Board issued Administrative Order 12-A-2024, 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.

Big Snowy Resources LP is on the inactive well review. Staff had requested Big Snowy to submit plans and timelines for the plugging and abandonment or reactivating its wells. If a well has the potential for future use, well-specific documentation for the inapplicability of the plugging requirement was requested. This request was made in accordance with ARM 36.22.1307. Big Snowy submitted two letters, attached as Exhibit 11.

Mr. Davis recommended that Big Snowy be required to provide staff a detailed well plan that includes a timeline and benchmarks for reactivating, transferring, or plugging at least two of its wells, prior to the October 31, 2024, hearing application deadline. Failure to comply will require Big Snowy to appear at the December 5, 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. Tietz seconded, and the motion passed unanimously. The Board issued Administrative Order 13-A-2024, attached as Exhibit 12.

ORPHAN WELL AND FEDERAL GRANT UPDATE

Since the last meeting, 17 orphan wells were plugged and there are 60 wells remaining to be plugged.

Mrs. Franklin worked with Greenfield Environmental LLC's (Greenfield) attorney on an agreement to terminate the contract with the Board since Greenfield was unable to fulfill its \$1.6 million contract for the plugging of six wells. The Board retained the performance bond of \$139,000. A new solicitation for this group of wells will be posted soon.

The Montana Petroleum Association is proposing legislation that would be a benefit to the Board and would allow excess funding from the privilege and license tax to go into the Board's damage mitigation account to plug orphan wells.

The UIC class VI grant application was approved by the EPA and the Board received its award of \$1.93 million. DNRC has approved the spending authority on this award.

STAFF REPORTS

John Gizicki

Mr. Gizicki recently attended three conferences: PCOR, GWPC annual forum, and EPA region 8 annual directors meeting.

A topic of discussion at the EPA region 8 directors meeting was the time it takes region 8 to approve an aquifer exemption. Wyoming had an exemption that took 260 days, whereas region 6 in Texas takes six days on average to approve. There appears to be no backlog within region 8, and the EPA could not provide a reason for its approval timing.

Mr. Gizicki anticipates Hydra MT LLC, Phoenix Operating LLC, and White Rock Oil & Gas, LLC to be submitting class II permits soon. If these permits need an aquifer exemption, additional time will be needed before the operator can be granted injection authorization.

Ben Davis

Mr. Davis notified the Board that Montana Energy Company, LLC (MEC) has not paid its outstanding fine of \$2,500. Mr. Davis recommended that MEC be required to pay the outstanding fine of \$2,500 prior to the October 31, 2024, hearing application deadline or be required to appear at the December 5, 2024, public hearing and show cause, if any it has, why additional penalties should not be imposed for failure to pay the fine.

Motion: Mr. Welter made the motion to approve the recommendation. Mr. Brown seconded, and the motion passed unanimously. The Board issued Administrative Order 14-A-2024, attached as Exhibit 13.

Mr. Davis provided the Board an update on well activity, attached as Exhibit 14.

Ben Jones

Mr. Wivholm invited Mr. Jones and Mr. Davis to attend the Conservation District Area 1 meeting. Mr. Jones thanked Mr. Wivholm for the opportunity to speak to the group.

The IOGCC annual conference is coming up at the end of the month. One of the key takeaways from this conference will be discussions of class VI primacy amongst other states and continuing to develop the plan for utilizing the class VI grant funds.

The Groundwater Protection Council (GWPC) is hosting an RBDMS training at the end of the month in Sarasota, Florida. RBDMS is the division's current data management system developed by GWPC. Mr. Jones is hoping to learn about upgrades to the system that will improve efficiencies.

Three electricians have provided staff a quote to upgrade the interior lights to LED due to the current condition of the lights, efficiency of the lights, and the cost of the replacement bulbs. The three quotes range from \$30,000 to \$60,000. There will also be additional saving available through Northwestern Energy with a one-time rebate.

Mr. Jones recommend accepting the lowest bidder since we have budget authority. The Board agreed.

A notice of dissolution was submitted to the Board on behalf of S & L Energy, Inc. This operator has one fee well and one federal well. Staff is reaching out to make sure the liability to the state is addressed.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, October 10, 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 125-2024 – 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 100-2024.

Docket 126-2024 – 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 101-2024.

Docket 127-2024 – A motion was made by Mr. McDermott, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 102-2024.

Docket 128-2024 – A motion was made by Mr. McDermott, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 103-2024.

Docket 129-2024 – 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 104-2024.

Docket 130-2024 – 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 105-2024.

Docket 131-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 106-2024.

Docket 132-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 107-2024.

Docket 133-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 108-2024.

Docket 134-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 109-2024.

Docket 135-2024 – 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 110-2024.

Docket 136-2024 – 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 111-2024.

Docket 137-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 114-2024.

Docket 138-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 115-2024.

Docket 139-2024 – 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 112-2024.

Docket 140-2024 – 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 113-2024.

Docket 141-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 116-2024.

Docket 142-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 117-2024.

Docket 143-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 118-2024.

Docket 144-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 119-2024.

Docket 145-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 120-2024.

Docket 146-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 121-2024.

Docket 147-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 122-2024.

Docket 148-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 123-2024.

Docket 149-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 124-2024.

Docket 150-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 125-2024.

Docket 151-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 126-2024.

Docket 152-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 127-2024.

Docket 153-2024 – The application of Kraken Oil & Gas LLC was continued to the December 2024 hearing.

Docket 154-2024 – The application of Kraken Oil & Gas LLC was continued to the December 2024 hearing.

Docket 155-2024 – 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 Kraken Oil & Gas LLC was approved as set forth in Board Order 128-2024.

Docket 156-2024 / 1-2025 FED – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 129-2024.

Docket 157-2024 / 2-2025 FED – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 130-2024.

Docket 158-2024 – The application of MorningStar Operating LLC was continued to the December 2024 hearing.

Docket 159-2024 – The application of MorningStar Operating LLC was continued to the December 2024 hearing.

Docket 160-2024 – The application of MorningStar Operating LLC was continued to the December 2024 hearing.

Docket 161-2024 – The application of MorningStar Operating LLC was continued to the December 2024 hearing.

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

Docket 109-2024 / 17-2024 FED – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 131-2024.

Docket 162-2024 – A motion was made by Mr. Brown, seconded by Mr. Wivholm and unanimously passed, that HB Oil, LLC must provide staff a detailed well plan and timeline for reactivating, transferring, or plugging its inactive wells prior to the October 31, 2024, hearing application deadline. Docket 162-2024 is continued until the December 5, 2024, public hearing. Board staff has the authority to dismiss the docket if the plans are received prior to the October 31, 2024, deadline. Staff will provide the Board an update at the December 4, 2024, business meeting of HB Oil's well plan and timeline. HB must provide staff a

progress report of implementing its plan prior to the February 19, 2025, business meeting, at which time staff will provide the Board with an update of its progress. This is set forth in Board Order 132-2024.

Docket 163-2024 & Docket 164-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Coalridge Disposal and Petroleum, Inc. is fined \$1,000 for failure to appear at the October 10, 2024, public hearing. Dockets 163-2024 and 164-2024 are continued until the December 5, 2024, public hearing. This is set forth in Board Order 133-2024.

Docket 165-2024 – The show-cause hearing of D&A Water Disposal LLC was dismissed.

Docket 166-2024 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, that D&A Water Disposal LLC must remedy the field violations at the BN 12-11 well, API # 25-025-21021, located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11, T9N-58E, Fallon County, Montana, by the October 31, 2024, hearing application deadline or is subject to a \$100 fine for each day after the deadline that the violations remains unresolved. The fine will remain in effect until compliance is confirmed by inspection. D&A is fined \$1,000 for failure to appear at the October 10, 2024, public hearing and is fined \$1,000 for failure to maintain mechanical integrity on the BN 12-11 well. D&A must return the BN 12-11 well to compliance prior to the December 5, 2024, public hearing. Docket 166-2024 is continued until the December 5, 2024, public hearing. This is set forth in Board Order 134-2024.

Docket 167-2024 – A motion was made by Mr. McDermott, seconded by Mr. Tietz and unanimously passed that Docket 167-2024, Justice SWD, LLC, is dismissed. This is set forth in Board Order 135-2024.

Docket 168-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, that Powder Battalion Holdings LLC is to appear at the December 5, 2024, public hearing, if any it has, for why it should not immediately plug and abandon or transfer its wells in Big Horn County, Montana. This is set forth in Board Order 136-2024.

Docket 169-2024 – A motion was made by Mr. Welter, seconded by Mr. Tietz and unanimously passed, that Summit Gas Resources, Inc. is to appear at the December 5, 2024, public hearing, if any it has, for why it should not immediately plug and abandon or transfer its wells in Big Horn and Powder River Counties, Montana. This is set forth in Board Order 137-2024.

Docket 170-2024 – The show-cause hearing of T.W.O. (Taylor Well Operating) was dismissed.

Docket 171-2024 – The show-cause hearing of United States Energy Corp. was dismissed.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, December 4, 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, December 5, 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 December 5th public hearing is October 31, 2024.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

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:

Jennifer Breton, Program Specialist