

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
BOARD OF OIL AND GAS CONSERVATION  
MINUTES OF THE MEETING AND PUBLIC HEARING  
December 4 & 5, 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, December 4, 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, John Gizicki, Liz Franklin, Jennifer Breton, and Scot Bloomfield.

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

At the last meeting, it was suggested to Mr. Pat Mullaney that a landman review its lease with Montana Energy Company, LLC (MEC) and provide their expert opinion on whether the lease covering the Nordahl 2-11 is valid. Mr. Mullaney reached out to a landman and an attorney to review the lease, but he was unable to find someone to validate the lease. Mr. Mullaney will write a letter to MEC.

Mr. Davis provided a timeline regarding this complaint, attached as Exhibit 1. He informed Mr. Mullaney that MEC's engineering team will be in Montana in the coming weeks and is planning to visit the Nordahl 2-11 well and determine a program for the well, per an email from MEC. Mr. Mullaney stated that MEC will need to contact him to access the well location because the gate has been locked due to hunting season.

Paul Tarmann, Billings resident and oil and gas professional for the past 40+ years, appeared to voice his concern of MEC's operations. Mr. Tarmann believes MEC to be an unethical entity, lacking transparency, and integrity.

Jason Grebe of Grebe Ranch also appeared and criticized MEC for failing to produce its wells, maintaining poor communication with landowners, and mismanaging its operations by neglecting to pay bills and taxes. He also expressed a safety concern regarding a powerline that has been down since August, that has not been repaired. The Grebe Ranch has about 1,000 cattle and he is worried about their safety along with anyone who is near the area. Mr. Grebe would like to see MEC shut down.

Staff noted that there has been little to no activity from MEC in the field and that the down powerline is not within the Board's authority. It appears the ownership of the company has changed over the last few years from the ones who initially appeared in front of the Board for the transfer of wells from Bayswater Bayswater Exploration & Production, LLC.

Mr. Davis reviewed a landowner's complaint, attached as Exhibit 2. The berm on the emergency pit associated with the Moffett D618 well, API # 25-065-05185, was breached and discharging produced water. The required netting on the upper portion of that pit that contained oil was found to be in disrepair. The

emergency pit associated with the BWLTSU C519 well, API # 25-065-05128, also had the required netting in disrepair. There were several other rule violations on the pits.

The operator was informed of the violations and instructed to promptly come into compliance, but the issues remain.

Mr. Davis recommended that MEC must repair nets and have adequate freeboard on the emergency pits for the Moffett D618 and the BWLTSU C519 wells by January 16, 2025, hearing application deadline or show cause at the February 20, 2025, public hearing, as to why penalties should not be imposed for failure to remedy the compliance issue prior to the February hearing deadline.

The Board discussed Mr. Davis's recommendation but wanted to add that due to MEC's recent major compliance action regarding the CSTSU D116 well and its unresponsiveness to staff, the Board recommended MEC be required to appear at the February 20, 2025, public hearing and that penalties could include its production being declared illegal in accordance with ARM 36.22.1245.

**Motion:** Mr. Welter made the motion to approve the modified recommendation. Mr. Wivholm seconded, and the motion passed unanimously. The Board issued Administrative Order 15-A-2024, attached as Exhibit 3.

### **APPROVAL OF MINUTES**

A motion was made by Mr. Welter, seconded by Mr. McDermot and unanimously passed, to approve the minutes of the October 9, 2024, business meeting.

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

Mr. Jones provided an update on HB Oil, LLC (HB), attached as Exhibit 4. Since the October hearing, two wells have had reported production. In an email, HB plans to contract with Phoenix Energy Service and reactivate more wells in November. Per Order 132-2024, another staff update will be provided at the February 2025 business meeting.

### **FINANCIAL REPORT**

Mrs. Breton discussed the financial statement, attached as Exhibit 5.

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

Mr. Jones presented the bond report and the incident report, attached as Exhibit 6 & 7.

### **DOCKET SUMMARY**

Mr. Jones presented the docket summary, attached as Exhibit 8.

## **GAS FLARING EXCEPTIONS**

There were no flaring exceptions to review.

Mr. Jones noted that OneOK notified operators about an upcoming outage, so additional flaring will be expected during that outage.

## **INACTIVE WELL REVIEW**

Mr. Davis reviewed a list of inactive well operators and their current statuses, attached as Exhibit 9.

Big Snowy Resources LP provided staff a detailed well plan that includes a timeline and benchmarks for reactivating, transferring, or plugging at least two of its wells, also attached in Exhibit 9. Staff will continue to monitor its progress until July 2025.

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

There are 55 wells remaining to be plugged. Contractors have until September 30, 2025, to complete the work.

The IFB solicitation for the six Plentywood West wells closes on December 6, 2024. The Board is allowed to use any unused 'unforeseen fund balances' from contracts that have been closed out and damage mitigation account funds, if necessary.

The damage mitigation account balance is over \$1.1 million. The Board's next opportunity for the RITT deposit is on 7/1/25. There are currently three Bootstrap Oil LLC wells that were recently orphaned. Mr. Jones requested the Board's authorization to expend funds from the damage mitigation account for the plugging and abandonment of the following three wells:

- 1) Neste Syme 5-4H, API # 25-091-21645
- 2) Daryle Syme 5-1, API # 25-091-21623
- 3) Daryle Syme 5-2, API # 25-091-21627

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

Staff will work on the plugging contract to get the funds obligated.

The Board has a \$1.93 million grant to be applied towards the class VI UIC carbon sequestration. Mr. Jones has reached out to Plains CO2 Reduction Partnership for contracting support and Groundwater Protection Council for the development of a data management application that will tie into the division's current risk-based data management system (RBDMS). Mr. Jones will continue to reach out to companies who can assist Montana in the application process. Additionally, Mr. Jones would like to have an open discussion on this matter for the public's feedback. This will be a multi-year process to complete the

application.

## **STAFF REPORTS**

### **Ben Jones**

Granite Creek Energy (Granite) requested a waiver to the Board's change of operator policy, attached as Exhibit 10, for a proposed transfer of wells between Eagle Operating Inc. (Eagle) and Granite. Both Granite and Eagle appeared before the Board at the initial hearing in October 2023 for the transfer of wells from Legacy Reserves Operating LP.

Mr. Jones recommended approving the exception request.

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

The Board recently received a notice of intent to sue. The issue is regarding DEQ's discharge permits involving Somont Oil Company, Inc's (Somont) discharge pits. Staff will continue to monitor the situation and verify Somont is not in any violations of Board rules.

The division currently has 4.5 open positions. In the past, it has been vital to keep positions open because of the unknown future workload of the industry, but there has been an increase of hearing docket applications. Mr. Jones would like to combine the job descriptions of the compliance technician and compliance specialist and fill the position. The earliest the job posting is anticipated to be available is in January.

Mr. Jones attended the IOGCC meeting in October. One of the main topics of concern is the stipulations in any of the new federal grants, including the formula grant, that states must apply the Endangered Species Act and the National Historic Preservation Act. With these stipulations, the Board has no plans to pursue future grants but will continue to monitor in case anything changes. There are several states pursuing the formula grant, but there has not been a high number of wells plugged under this grant due to additional timing issues from these stipulations.

D90 Energy, LLC (D90) has filed for Chapter 7 bankruptcy. D90 is the operator of 200 Williston Basin wells and recently submitted a change of operator request to transfer only 50 wells. This transfer will be reviewed at the February hearing. A question was raised by the Board if the Board would need a court's approval prior to the assets being transferred. Mrs. Franklin was going to investigate the matter.

The contract for the upgrade of the building interior lights to LED has been signed. The contractor is expected to complete the work prior to the end of the year.

The Montana Petroleum Association (MPA) is proposing legislation that would benefit 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. There was some confusion in Helena regarding this bill, but Mr. Jones has

spoken with the budget office and clarified there is no reduction to the amount cities and counties receive or additional cost to industry. If the bill passes, there will be a significant delay before the funding is deposited into the damage mitigation account, especially since rulemaking will be required to reduce the privilege and license tax rate.

**Ben Davis**

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

**OTHER BUSINESS**

No other business discussed.

## **PUBLIC HEARING**

The Board reconvened on Thursday, December 5, 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 172-2024 – 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 140-2024.

Docket 173-2024 – The application of Phoenix Operating LLC was withdrawn.

Docket 174-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, to approve the application of Phoenix Operating LLC as set forth in Board Order 138-2024.

Docket 175-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed to continue Docket 175-2024, Phoenix Operating LLC, to the February 2025 hearing. This is set forth in Board Order 139-2024.

Docket 176-2024 – 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 142-2024.

Docket 177-2024 – 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 143-2024.

Docket 178-2024 – 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 144-2024.

Docket 179-2024 – 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 145-2024.

Docket 180-2024 – 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 146-2024.

Docket 181-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Walter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 147-2024.

Docket 182-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Walter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 148-2024.

Docket 183-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Walter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 149-2024.

Docket 184-2024 – A motion was made by Mr. Wivholm, seconded by Mr. Walter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 150-2024.

Docket 185-2024 – 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 151-2024.

Docket 186-2024 – 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 152-2024.

Docket 187-2024 – 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 153-2024.

Docket 188-2024 – 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 154-2024.

Docket 189-2024 – 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 155-2024.

Docket 190-2024 – 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 156-2024.

Docket 191-2024 – 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 157-2024.

Docket 192-2024 – 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 158-2024.

Docket 193-2024 – 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 159-2024.

Docket 194-2024 – 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 160-2024.

Docket 195-2024 – The application of Kraken Oil & Gas LLC was continued to the February 2025 hearing.

Docket 196-2024 – The application of Kraken Oil & Gas LLC was continued to the February 2025 hearing.

Docket 197-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed to continue Docket 197-2024, Kraken Oil & Gas LLC, to the February 2025 hearing. This is set forth in Board Order 139-2024.

Docket 198-2024 / 3-2025 FED – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 161-2024.

Docket 199-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 200-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 201-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 202-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 203-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 204-2024 – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 205-2024 / 4-2025 FED – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 206-2024 / 5-2025 FED – The application of Continental Resources Inc was continued to the February 2025 hearing.

Docket 207-2024 / 6-2025 FED – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, to approve the application of Continental Resources Inc as set forth in Board Order 162-2024.

Docket 208-2024 – 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 163-2024.

Docket 209-2024 – 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 141-2024.

Docket 210-2024 – The application of Phoenix Operating LLC was continued to the February 2025 hearing.

Docket 211-2024 – The application of Phoenix Operating LLC was continued to the February 2025 hearing.

Docket 153-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed to continue Docket 153-2024, Kraken Oil & Gas LLC, to the February 2025 hearing. This is set forth in Board Order 139-2024.



Docket 158-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of MorningStar Operating LLC as set forth in Board Order 164-2024.

Docket 159-2024 – A motion was made by Mr. Brown, seconded by Mr. Welter and unanimously passed, to approve the application of MorningStar Operating LLC as set forth in Board Order 165-2024.

Docket 160-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of MorningStar Operating LLC as set forth in Board Order 166-2024.

Docket 161-2024 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of MorningStar Operating LLC as set forth in Board Order 167-2024.

Docket 212-2024 – The show-cause hearing of Bad Water Disposal, LLC was dismissed.

Docket 213-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Big Sky Energy, LLC is fined \$1,000 for failure to appear at the December 5, 2024, public hearing. Big Sky Energy, LLC is to appear at the February 20, 2025, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent injection reports and failure to pay the penalty assessed for delinquent reporting. This is set forth in Board Order 168-2024.

Docket 214-2024 – The show-cause hearing of Montana Energy Company LLC was dismissed.

Docket 215-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Powder Battalion Holdings LLC must have an approved plan to plug and abandon or begin the process to plug and abandon its MT State 9-42 36-06CK well, API # 25-003-21858, and Remington 10-43 05-07CK well, API # 25-003-22754, located in Big Horn County, Montana by January 16, 2025, hearing application deadline. Following the January 16, 2025, deadline a penalty of \$250 per day be assessed until the abandonment plans have been received and approved. Docket 215-2024 is continued until the February 20, 2024, public hearing. Board staff has the authority to dismiss the docket if plugging operations have commenced prior to the February 20, 2024, public hearing. This is set forth in Board Order 169-2024.

Docket 216-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Summit Gas Resources, Inc. must begin to plug and abandon its wells prior to the February 20, 2025, public hearing. Failure to begin to plug and abandon 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 170-2024.

Docket 163-2024 & Docket 164-2024 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, that Coalridge Disposal and Petroleum, Inc. (Coalridge) is fined \$1,000 for failure to appear at the December 5, 2024, public hearing. Coalridge must appear at the February 20, 2025, public hearing and show-cause, if any it has, why it should not immediately plug and abandon its wells in Sheridan County, Montana, and why additional penalties should not be imposed for failure to file reports and to pay the administrative penalty assessed for delinquent production and injection reporting. This is set forth in Board Order 171-2024.

Docket 166-2024 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that D&A Water Disposal LLC’s (D&A) injection permit for the BN 12-11 saltwater disposal well, API # 25-025-21021, located in the SW¼NW¼ of Section 11, T9N-R58E, Fallon County, Montana is revoked. D&A must remedy the field violations at the BN 12-11 well by the January 16, 2025, hearing application deadline or the \$100 daily fine will increase to a \$250 daily fine. The fine will remain in effect until compliance is confirmed by inspection. D&A is fined \$1,000 for failure to appear at the December 5, 2024, public hearing. D&A must appear at the February 20, 2025, public hearing and show-cause, if any it has, why it should not immediately plug and abandon its BN 12-11 saltwater disposal well, why additional penalties should not be assessed for failure to maintain mechanical integrity on this well, and to discuss its plan for the remaining inactive BN 11-11 oil well, API 25-025-21273, located in the NW¼NW¼ of Section 11, T9N-R58E, Fallon County, Montana. This is set forth in Board Order 172-2024.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, February 19, 2025, 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, February 20, 2025, 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 20<sup>th</sup> public hearing is January 16, 2025.

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 (absent)  
Jeff Wivholm, Board Member

ATTEST:

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Jennifer Breton, Program Specialist