STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
December 11 & 12, 2013

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Linda Nelson at 2:00 p.m., Wednesday, December 11, 2013 in the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Nelson, Ron Efta, John Evans, Jack King, and Bret Smelser. Vice Chairman Wayne Smith and Board member Peggy Ames-Nerud were absent. Staff present were John Gizicki, Jim Halvorson, George Hudak, Gary Klotz, Terri Perrigo, Tom Richmond and attorney Rob Stutz.

APPROVAL OF MINUTES

A motion to approve the October 9, 2013 business meeting minutes was made by Mr. King, seconded by Mr. Smelser and unanimously passed.

PUBLIC COMMENT

Antelope Resources, Inc. – Mr. John Campbell of JP Oil Inc. (JP) was present along with geologists Jackie Chung and Mike Sterns to discuss a plugging issue with the Bailee #1 well in Howard Coulee Field in Musselshell County. They have outlined the issue in Exhibit 1. Antelope Resources, Inc. (Antelope) is JP's operator in Howard Coulee Field.

JP believes the operator that plugged the Bailee #1 well in 2006 did an improper plug job. The well was drilled to the Tyler formation at 3460 feet. The deepest cement plug is over the lower Third Cat Creek and Morrison Sands at 2500-2650 feet. There is no plug over the porous Amsden and Tyler Formations at approximately 3150-3300 feet.

JP brings this to the Board's attention because there is only one producing well in Howard Coulee Field and it makes no water (the BN 41-19). The improperly plugged Bailee #1 is north of the producing BN well. Antelope has drilled the infill Bailee #2 well north of the Bailee #1, and there is major water flow in the Bailee #2 well. They feel water from the unplugged Amsden Formation in the Bailee #1 is in flowing into the Bailee #2 wellbore and affecting their ability to produce that well. They would like the Board to require the previous operator to re-enter the Bailee #1 well and re-plug it.

The Board's administrator, Tom Richmond, had a meeting with JP a couple weeks ago about this matter. He agrees there should have been a plug at the Amsden, and that an improper plug job was done. The staff would not have waived a bottom plug. The well needs to be re-plugged, but Mr. Richmond is not sure that will fix JP's problem. Mr. Richmond said the company that did the plug job is R&A Oil. They

are a bonded operator and have production. He recommends they be scheduled for a show-cause hearing in February 2014 as to why they shouldn't be required to re-enter and re-plug the Bailee #1 well

MOTION: Show Cause for R&A Oil for February 2014 why they shouldn't be required to re-enter and properly re-plug the Bailee #1 well. Motion made by Mr. Smelser, second Mr. Evans and unanimously passed.

Carbon County Resource Council – There were a number of people present from Carbon County Resource County (CCRC), an affiliate of Northern Plains Resource Council (NPRC), to speak about their concerns regarding drilling on the Beartooth Front.

CCRC had submitted a protest to a permit by Energy Corporation of America (ECA) to drill a well in the Belfry MT area. Because of the protest, the ECA permit to drill was not administratively approved; and was instead docketed for the Board's December 12, 2013 public hearing (Docket 500-2013). On Monday, December 10, 2013, ECA's attorney notified Board staff they had not been served with notice of the protest as required by statute. The lack of notice to ECA and/or its attorney was verified and CCRC was notified that its protest was invalid due to lack of notice. Because the protest was invalid, the ECA drilling permit application: a) no longer had to be heard by the Board; b) was removed from the public hearing docket; and c) would be administratively approved.

The Board's attorney Rob Stutz advised CCRC and others wishing to speak that their comments should remain general in nature and not be specific to the ECA well, since that permit was no longer subject to public hearing.

The following is a list of persons speaking before the Board and a summary of their comments.

Debra Muth – She is with Carbon County Resource Council, an affiliate of Northern Plains Resource Council. She is here to exercise her constitutional right to have meaningful participation in regard to an issue that affects her life. She also wants to discuss the process.

Two days ago, on Monday December 9, 2013, she got phone message from the Board's attorney saying CCRC's place on the docket tomorrow to challenge ECA's proposed well in Belfry was cancelled due to a technical issue. ECA's attorney said they did not receive notice as required. Ms. Muth said they hand-delivered CCRC's protest to the Board and to ECA personnel in Belfry. Now they find out they are denied the ability to protest the permit because of a technicality.

Ms. Muth said ECA filed another permit to drill just two days before the hearing. There was an error in their publication. It says drilling will commence January 1, 2013 – when it should say January 1, 2014. If the Board is going to deny CCRC's ability to protest a permit to drill because of a technicality, the Board should deny the new ECA permit because of a technicality.

Carol Mick – She is a geologist, and here on behalf of CCRC and herself. This is not the first time the Beartooth front has been drilled. There were a lot of problems with the last well drilled, including problems with the town of Red Lodge. She has heard horror stories of the Bakken and she doesn't want the Bakken in Carbon County. Red Lodge is beautiful, it has major tourism, and that will be what sustains the area when the oil companies are gone. There are better ways of doing this and better places to do it. Besides, the Beartooth front is not stable for drilling because there is a fault running all the way through it. If Yellowstone decides to burp while they are drilling a well on the Beartooth front, the well will turn into a torch. She doesn't know how to monitor this, but safety issues are lax since the days she was drilling wells. There is a lot of science involved these days that isn't being addressed, such as frac'ing. There are too many variables that can go wrong. Both sides need to be open and willing to discuss and talk and not polarize the issue because no one wins.

Bonnie Martinell - She is an organic farmer from Bridger MT which is in the area of the proposed well. Ms. Martinell said the area is environmentally sensitive because there is very limited water. She is very concerned about the potential loss of water in her area. By the end of the growing season, many farmers downstream do not have water. In addition to her organic orchard, people grow malt barley, sugar beets, beef and lamb in the area. If something happens to the water, either through the rivers or the ditches, the landscape will become a desert. Also, the area they plan to drill in gets flash floods. The pits they dig around wells could flood and carry oil into fields. This has happened before. Oil companies say they are good neighbors, but they don't consider people who live in the area of the well. She would like the Board to consider the effect a loss of water would have on all the farmers there.

David Lund – He supports both CCRC and NPRC, but as an individual he wants to speak on his own. He thinks this reflects ECA's method of operation: silence the opposition and drill regardless of the consequence. Many people consider the Beartooth front priceless. Frac'ing is a process people should be very concerned about. It threatens air, water, infrastructure and social fabric. Evidence is mounting in regard to the negative effects of frac'ing and he thinks future generations are going to curse us. He mentioned surface spills, inadequate casings, and fissures in rocks; and said if people think cement holds for well plugging they need to look at driveways in every neighborhood and notice all the cracks. He requests that the Board prevent ECA from threatening the Beartooth front any further.

Deb Fisher - She requests that the hearing scheduled for tomorrow be allowed to take place or another hearing date be scheduled. She has a constitutional right to express her concerns about frac'ing and especially in the Beartooth front area. She's had breast cancer and she believes it is caused by carbon based products and pollution. Once chemicals get down into the wells she doesn't know how they ever get cleaned up.

Michael Keys – He is a Carbon County resident here representing the Yellowstone valley. He has worked in oil fields. He has seen firsthand what happens. He has seen waste ponds overflow during torrential rains. He thinks we have to be careful drilling on the Beartooth front. He does not think it is something to play with.

Merilee Hericoe – She feels compelled to speak because this is such an important issue that will affect her children and grandchildren. The most important thing to humans is water. If our water is fouled there will be no life. Residents in this area depend on tourism and they all are very involved in hunting, fishing, picnicking, etc. If we start drilling there will be none of this left.

Willow Brown – She wanted to know if this period of comments has the same impact as tomorrow's hearing would have had regarding ECA's permit. The Board's attorney said the Board does take all comments under consideration, but because the comments today are not specific they may be considered in a broader perspective instead. Ms. Brown also wanted to know if tomorrow's record would show no comment on the permit application. Chairman Nelson said there was no longer a need to have a hearing on the permit application because CCRC's protest was incomplete.

Peter Zimmer – He was born and raised in Red Lodge. He feels he is speaking for a lot of people there. In this world of specialization in efforts to drill and develop, there isn't much consideration given to impacts on communities. We have come here to asking that we not be another socio-economic guinea pig. We are asking you to look beyond technology and rapid oil expansion.

Drew McManus – He lives in Red Lodge and agrees with Mr. Zimmer. The Red Lodge paper did a poll and 86 percent of Carbon County residents reported they are completely against drilling. Also a petition was put together banning frac'ing in Carbon County. It was presented to ECA today with 4637 signatures. The vast majority of people in Red Lodge do not want oil development there.

Dave Galt – He is executive director of Montana Petroleum Association (MPA), the organization that represents the oil and gas industry in MT – from producer to refiner. MPA supports oil and gas in Montana. Regarding water, the state of Montana goes through 10.5 billion gallons of water a day. All the wells drilled last year did not even use half the amount of water as MT uses each day. MPA supports the ECA drilling permit. He has a picture of the first well drilled in MT and it is very close to the proposed location of ECA's well. Second, MPA does not think development should be limited to the eastern part of the state. Several years ago residents of Park and Stillwater counties showed up before the Board and said they didn't care what the Board did "over there" in the eastern part of the state, they just didn't want oil and gas development in their counties. For every acre of surface there is an acre of minerals, and mineral owners are entitled to develop their assets. MPA does not think development should just be "over there."

Susan Elliot – She is very concerned about all the things everyone has said. She hopes everyone here has had the opportunity to visit her community and enjoy it. Many people go to Red Lodge as tourists and as users of the outdoors for renewal. She would like the Board to think of her town and area, and think about the agony of what has happened in the Bakken. Community impacts are profound. Please think about the place and its renewal qualities, and what development will do to it.

Dave Klarich – He is retired high school/college biology and statistics teacher and a Montana native. He has a master's degree with an emphasis in ecology. He has land in the East Rosebud drainage. You can stand on his property and see nothing for 360 degrees. He can drink water on his land right out of the spring in the hill. This is a special area, locally nationally and internationally.

The big elephant in the room no one wants to talk about is global warming. We were worried about it and climate changes and now we are seeing the serious environmental problem of global warming and it is man caused by burning fossil fuels.

He has read so many cases of the negative impacts of frac'ing on water resources. What he sees with frac'ing is going to bigger extremes to extract. Alternative energy is the answer. He has watched Red Lodge go from a community built on fossil fuel extraction to a community based on tourism and agriculture. He has concerns about the aesthetics of tourism and to what extent is it conducive to oil and gas development.

Henry Dykema – He lives south of Luther on the Beartooth front. He supports the passion about Red Lodge that everyone has talked about. He thinks we are going to marginalize the environment. There is a time for development and there are places where development should be limited. He does not think this is the time, and he thinks Red Lodge and Yellowstone Park are places where development should be limited. A number of projects have come and go in this area because of huge global efforts to limit development around Yellowstone Park.

Suzanne Bueke - She has been a Red Lodge resident for 40 years. Her main concern is water and she doesn't think Montana is as concerned as it should be. Agricultural water is being sold to oil companies, which means that water is taken out of the system and is no longer able to contribute to agriculture. She is also concerned about aquifers. Montana does not have any effective way of monitoring the level of its aquifers and she thinks that needs to be brought to everyone's attention. The aquifers are not limitless and we cannot say they will not be contaminated. She thinks oil companies should be made more accountable for aquifers, and be required to have independent scientific method testing done regarding water level and purity in certain levels. We can live without oil and gas but we cannot live without water.

Chairman Linda Nelson – She told protesters that the Board would hear public concerns, but that it might be more appropriate for protesters to approach their local legislators and have their issues before the legislature to change laws about protecting the environment. BOGC follows the law.

Ellie Hanson – She is a Billings resident and business owner. She came out today to defend the Beartooth front against frac'ing. She takes her family to Red Lodge to ski, hunt, camp, fish and enjoy the community. The thought of 100 trucks going down the road sickens her, and if development is allowed in the Beartooth front area she is concerned about where families will go to recreate.

Larry Smith – He farms between Bridger and Belfry. The location of the proposed well is three miles from Belfry, two miles from the Clarks Fork of the Yellowstone and ½ mile from the Clarks Fork Silvertip ditch. There is a lot of agriculture in the area. People grown corn, sugar beets, beans, etc. This is not the wilderness. The proposed well location is quite close to a lot of things going on.

Bret Smelser - Board member Bret Smelser responded to the testimony. He is the mayor of Sidney and is on this Board as a landowner without mineral rights. He sits on the porch on his property and can see oil wells everywhere he looks. He does not receive one penny of royalties from any of them. Richland County has approximately 1000 horizontal wells. Richland County residents love their water as much as people in the Beartooth front area love theirs. He does not believe the Beartooth front water is any more precious than the Sidney area water. He understands the beauty of Red Lodge. But he thinks Sidney and Eastern Montana are beautiful too. The Sidney area has been producing oil and gas since the 1950's, and the area continues to have a very viable agriculture business. Sidney is not turned upside down, although there has been a 50 percent increase in population. Mr. Smelser understands what people are talking about today. But his area is just as important to him as this area is to them. He doesn't want to be marginalized.

Richland County produces half of the oil tax revenue that goes to the state for schools. Red Lodge gets a portion of that revenue.

The Board could listen to this all day, but there is not much this Board can do. Mr. Smelser said he will be very surprised if there is a Bakken well in Carbon County. But there are other options that could be investigated to address the concerns. For example, Gallatin County adopted zoning regulations for the Bozeman pass area that prohibit oil and gas development.

Sara Bunting – She is a resident of Red Lodge and a member of CCRC, but comes as an individual. She appreciates Mr. Smelser's comments. Her concern is that Carbon County and Red Lodge are not prepared for what could happen if development starts. They are not ready for the air and water pollution along with the social, legal, and infrastructure consequences. She is concerned about quick development. She would like something in the permit that requires the company to support and help the community. She thinks companies should provide baseline water testing before, during and after the development. Residents should know where the water is coming from and that proper permits have been obtained. Intelligent development is what she wants in order to ensure adequate regulations and zoning are place. That takes a lot of time. Please consider in issuing permits providing a way to delay development until our community has an opportunity to get necessary regulations in place. That way we can continue to thrive in Red Lodge and produce what we love – environment and community.

Larry Tveit – He is a resident of Sidney. He has been a rancher for 60 years, in the oil business for 40 years and was a state senator for 16 years. He wants to talk about reality. For forty years he's had oil wells. The Bakken wells today are 10,000 plus feet deep. The fresh water zone is 1500 feet deep. There is no way the oil will commingle with the water because it is cemented off and more than 8000 feet apart. The beautiful, wonderful schools someone talked about earlier in the ECA permit area….he knows about them because part of his royalties pay for them. Northern Plains protests everything. Wells can be considered by the Board and it can be done properly. He has a beautiful ranch out there in Sidney and it means a lot to him. His farmland today is as good as or better than it was before oil came. His cattle look great. Deer lounge around oil wells and enjoy scratching themselves on the equipment and buildings. A lot of what people are talking about today they know nothing about. Yes, Red Lodge is beautiful, but development can be controlled He is not opposing the people here today, but he wants to let them know what is really happening and that it is good for Montana.

Jennifer Sipke- She lives in Belfry. She moved there six years ago looking for small town to raise and home school her kids. If this is inevitable then the communities need time to get ready. There are documented increases in crime when oil workers move in and safety factor goes away. And with boom goes bust and Red Lodge will be stuck with the bust.

Willow Brown – again – She thinks all of MT is beautiful. She has lived here 30 years and is a photographer. The watershed and the geology in the Beartooth Mountains are different than in Sidney. She doesn't think you can compare apples and oranges.

Bret Smelser – again- He said he is not trying to compare. Eastern Montana feels the impacts but at the end of day they believe in energy independence. He thinks MT should drive on hydrogen. Either this thing is going to happen in your area or not. You don't know. But you need to go home and prepare other venues to pursue.

With no more persons wishing to comment or testify, the Chairman deemed this part of the public comment period closed, and the majority of the people from CCRC and Red Lodge left.

MT Tech – Elm Coulee EOR Study update - Mr. Richmond said the MT Tech update on the EOR study has been postponed until the February hearing.

FINANCIAL REPORT

Ms. Perrigo presented and discussed the financial report attached as Exhibit 2.

Bond and Docket Summary

Mr. Halvorson presented and discussed the bond report and docket summary attached as Exhibits 3 and 4 respectively.

Staff Reports

Recap of CCRC comment period earlier - Mr. Smelser asked Mr. Richmond to explain the status of the ECA permit. Mr. Richmond said the permit was for an unspaced area, in a legal location, was eligible for administrative approval and probably would have been administratively approved several weeks ago if not for the protest. When a protest is filed, staff checks to make sure the protest is not about surface damage (because there are other processes used for those protests); and if it is not, then the permit to drill application is docketed for the next public hearing. When the protest that put it on the docket is deemed incomplete, then the permit to drill application is once again eligible for administrative approval. That is why the permit application docket was dismissed.

Mr. Smelser asked if the Board will see this group again. Mr. Richmond said it depends on whether ECA drills more wells or not. The well in Belfry is an exploratory well and a science project to find out how and if to produce the Mowry Formation. It is a typical wildcat well: 1 in 9 gets a show of oil and gas; and 1 in 20 gets some commercial production.

Mr. Evans asked if the geology over there is different than others so we could have to worry more about drilling and frac'ing. Mr. Richmond said no. There is no evidence of H2S. As far as faulting and earth quakes, Mr. Richmond said the area is a long way from the Nye-Bowler fault which is really in the Northern Big Horn Basin; not in the Stillwater complex. Drilling in this area shouldn't be much different than it is in Elk Basin.

Mr. Halvorson said he looked at an MPC offset and it is really underpressured. ECA ran a drill stem test and the Mowry had show but pressure depleted real quick. Resource plays don't usually work without pressure.

Mr. Smelser said he's been here seven years and he still thinks people think the Board has more power than correlative rights and waste. He doesn't know what to do about that. He wondered if there is some kind of educational outreach or something we can do.

Mr. Stutz said it will be an ongoing education for people who haven't been through the process before. You learn from your mistakes. The defect in this matter was notice. And that defect affected the rights of the producer. If the producer would not have had a problem with the notice, the Board would not have either. But the producer chose not to waive the notice requirement.

Mr. Stutz said there are interested persons statutes that set forth who can participate and speak at Board hearings. Statutes differentiate between two different types of interested persons: persons who are directly impacted and persons who have an indirect interest. Both of these are different than the public comment the Board heard today. Today people were able to put their comments in a broader format.

Chairman Nelson said she always thought that interested parties to an application before the Board meant the mineral or surface owner. But she has recently been advised by Mr. Stutz that people who have indirect interests can also testify as long as they can articulate their indirect interest in the application.

Rob Stutz – legal issues update - Mr. Stutz said the Ostby case was decided in the Board's favor but Ms. Ostby has appealed that decision. A briefing will be due in the next couple of months. It is not very often the Board of Oil & Gas has something that goes to the Supreme Court. Ms. Ostby's issue is whether district court can review Board decisions directly or if there is a different legal process. Basically Ms. Ostby is asking for a statutory interpretation of the legal process for review of Board decisions.

Jim Halvorson

Mr. Halvorson presented a letter from US BIA to Mark Rievaj of K2 America Corporation regarding the voluntary termination of the Tesoro Cut Bank Sand Unit (TCBSU) in Glacier County, Montana, which is attached as Exhibit 5. He said the reason the Board has to deal with this is because Board Order 23-71 is the Board approval of the waterflood project for the TCBSU. Mr. Efta asked why the Board is involved if these are Indian lands. Mr. Halvorson said they are mostly Indian lands, but there is some fee acreage. He recommends that a hearing for Feb 2014 be scheduled upon the Board's own motion to void the Tesaro Cut Bank Sand Unit.

MOTION: Bret/ Jack. Schedule a hearing for Feb 2014 upon the Board's own motion to vacate the Tesaro Cut Bank Sand Unit. Unanimous.

Gary Klotz

Mr. Klotz presented and discussed the grant summary attached as Exhibit 6. Mr. Efta asked how thick they lay the contaminated soil out when they land farm it as we are doing in the Big Wall Tank Battery grant project. Mr. Klotz said about 8 inches thick. Then they take a disc and break it up, fertilize it and turn it, which helps the bioremediation process. He said although plans have always been to return the remediated soil to the cleaned out pit, the surface owner is considering leaving the pit open for use as a reservoir.

George Hudak

Mr. Hudak distributed Exhibit 7, a copy of a letter he sent to Jeff Avery of Windy Butte Reclamation (Windy Butte) about a compliance issue. Windy Butte has been found exceeding injection pressure on the SWD 101 disposal well four times in the past year. Mr. Drew Guthrie, a representative of Windy Butte, was present. He said they do not deny the violations. They have identified the problem and have taken steps to correct the problem so it won't happen again. Mr. Hudak recommends a $1000 fine.

Motion: Fine Windy Butte Reclamation $1000 for exceeding injection pressure in the SWD 101 disposal well. Mr. Smelser made the motion which was seconded by Mr. Efta and unanimously passed. .

Mr. Hudak reported that Dave Popp of Glendive has been hired as the Board's new Chief Field Inspector. He has 15 years experience with Haliburton and 8 years experience with Fidelity on a workover rig. He came highly recommended by Inspector Schmidt and former inspector Hystad. Mr. Popp starts Monday, December 16.

Tom Richmond

Mr. Richmond had some gas flaring requests. He originally had four requests from EOG Resources. But that has been reduced to two because the other two were hooked up to sales. The two left to flare are: the Stateline 12-29-32H and the Highline 2-09-04H, which produce 165 mcf and 138 mcf per day respectively. These two are a quarter mile from a pipeline and are negotiating right of way with surface owner. They anticipate these two will be hooked up during the first part of 2014. Mr. Richmond recommends extending the flaring approval to the end of March 2014 and ask for a status report at that time if they need to continue to flare.

MOTION: Mr. Smelser made a motion, seconded by Mr. Efta, to authorize EOG to continue to excess flare the Stateline 12-29-32H and Highline 2-09-04H wells until March 31, 2014. If they still need to excess flare after that time they must provide a status report to the Board. Motion passed unanimously.

Mr. Richmond had another flaring request from Halcon Resources. They are in the process of getting hooked up. 101 mcf per day is being flared. There is an easement issue and they are only asking for a 30 –day extension. He recommends the 30-day extension for the Sorenson 1-34-27H well.

MOTION: A motion was made by Mr. Smelser, seconded by Mr. Efta and unanimously passed to authorize Halcon Resources to excess flare the Sorenson 1-34-27H well until January 9, 2014.

He has a request from XTO to flare the Dige 41X 29DXA well in the town of Sidney until the end of March 2014. The well will be connected to Red Oak. He recommends the request be granted.

MOTION: Allow XTO to flare the Dige 41X 29DXA well until March 31, 2014. A motion was made by Mr. Evans, seconded by Mr. Efta and passed. Mr. Smelser recused himself.

Finally, he has three flaring requests from Petro Hunt for the Senner, Boje Farms and Borntrager wells, which are producing 149, 199 and 149 mcf per day respectively. They are in Dawson County and 25 miles from the nearest pipeline. Mr. Richmond recommends their excess flaring requests be approved for a year.

MOTION: A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to allow Petro Hunt to excess flare the Senner, Boje Farms and Borntrager wells in Dawson County until December 9, 2014.

Mr. Richmond said we are ready to start advertising the Petroleum Engineer position. It will be advertised in the five major MT daily newspapers, the Oil & Gas Journal and the Journal of Petroleum Technology.

Governor Bullock has signed an initiative of IOGCC and GWPC support state regulation of oil and gas. Hydraulic fracturing is what started all this, but it goes beyond frac'ing. Board members may read about the initiative.

Chairman Nelson said the Legislature Audit Committee has called the Board back to them in June 2014 to make sure it is in compliance with their recommendations.

Chairman Nelson discussed the schedule for 2014. Everyone had a chance to review the proposed schedule presented In October. She polled Board members and the consensus was not to go to Butte in 2014, but to go to Sidney instead; and to possibly alternate Sidney with Butte every other year in the future. She has only been notified of two requested changes. With no objection to the requested changes, the 2014 public hearings are recommended to be on the following dates:

February 27, 2014
May 1, 2014
June 19, 2014 in Sidney
August 14, 2014
October 16, 2014 and
December 4, 2014.

MOTION: Mr. Smelser made a motion to accept the dates as shown above for the 2014 public hearings. Mr. Evans seconded the motion and it passed unanimously.

With no further business the meeting adjourned at 4:45 pm.

PUBLIC HEARING.

The Board reconvened on Thursday, December 12, 2013 at 8:00 a.m. at the Board's hearing room at its office at the 2535 St. Johns Avenue in Billings Montana, to hear the matters docketed for public hearing. Vice Chairman Wayne Smith Board member Peggy Ames-Nerud, were absent As a result of the discussion, testimony and technical data placed before the Board, the following action was taken in each matter.

Docket No. 496-2013 – A motion was made by Mr. Efta, seconded by Mr. Smelser and unanimously passed, to approve the application of Interstate Explorations, LLC as set forth in Board Order 474-2013. Member Jack King recused himself.

Docket No. 497-2013– The application of Statoil Oil & Gas LP was continued to the February 2014 hearing.

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Docket No. 500-2013 – The application of Energy Corporation of America was withdrawn.

Docket No. 501-2013 – 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 503-2013.

Docket No. 502-2013 – 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 504-2013.

Docket No. 503-2013 – 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 505-2013.

Docket No. 504-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 475-2013.

Docket No. 505-2013 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 476-2013.

Docket No. 506-2013 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 477-2013.

Docket No. 507-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 478-2013.

Docket No. 508-2013 – A motion was made by Mr. Efta, seconded by Mr. King and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 479-2013.

Docket No. 509-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of EOG Resources, Inc. as set forth in Board Order 480-2013.

Docket No. 510-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of EOG Resources, Inc. as set forth in Board Order 481-2013.

Docket No. 511-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of EOG Resources, Inc. as set forth in Board Order 482-2013.

Docket No. 512-2013 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to dismiss the application of MCR, LLC as set forth in Board Order 483-2013.

Docket No. 513-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Vector Energy Corporation as set forth in Board Order 484-2013.

Docket No. 514-2013 – A motion was made by Mr. Efta, seconded by Mr. King and unanimously passed, to approve the application of Vector Energy Corporation as set forth in Board Order 485-2013.

Docket No. 515-2013 – 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 Thor Resources USA, LLC was approved as set forth in Board Order 506-2013.

Docket No. 516-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 486-2013.

Docket No. 517-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 487-2013.

Docket No. 518-2013 – A motion was made by Mr. Efta, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 488-2013. Board member Jack King recused himself.

Docket No. 519-2013 – A motion was made by Mr. Efta, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 489-2013. Member, Jack King, recused himself.

Docket No. 520-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 490-2013.

Docket No. 521-2013 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 522-2013 – A motion was made by Mr. Evans, seconded by Mr. Smelser and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 491-2013.

Docket No. 523-2013 – A motion was made by Mr. Evans, seconded by Mr. Smelser and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 492-2013.

Docket No. 524-2013 – A motion was made by Mr. Efta, seconded by Mr. Smelser and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 493-2013.

Docket No. 525-2013 – A motion was made by Mr. Efta, seconded by Mr. Smelser and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 494-2013.

Docket No. 526-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 495-2013.

Docket No. 527-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 496-2013.

Docket No. 528-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 497-2013.

Docket No. 529-2013 – A motion was made by Mr. Smelser, seconded by Mr. Evans and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 498-2013.

Docket No. 530-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 531-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 532-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 533-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 534-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 535-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 536-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 537-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 538-2013– The application of Continental Resources, Inc. was continued to the February 2014 hearing.

Docket No. 539-2013 – 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 Denbury Onshore LLC was approved as set forth in Board Order 507-2013.

Docket No. 540-2013 – 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 Denbury Onshore LLC was approved as set forth in Board Order 508-2013.

Docket No. 541-2013 – 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 Justice SWD, LLC was approved as set forth in Board Order 509-2013.

Docket No. 476-2012– The application of Oasis Petroleum, Inc. was continued to the February 2014 hearing.

Docket No. 736-2012– The application of Oasis Petroleum, Inc. was continued to the February 2014 hearing.

Docket No. 737-2012– The application of Oasis Petroleum, Inc. was continued to the February 2014 hearing.

Docket No. 738-2012– The application of Oasis Petroleum, Inc. was continued to the February 2014 hearing.

Docket No. 746-2012– The application of Oasis Petroleum, Inc. was continued to the February 2014 hearing.

Docket No. 174-2013– The application of XTO Energy Inc. was continued to the February 2014 hearing.

Docket No. 345-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of Statoil Oil and Gas LP as set forth in Board Order 500-2013.

Docket No. 346-2013 – A motion was made by Mr. Smelser, seconded by Mr. Efta and unanimously passed, to approve the application of Statoil Oil and Gas LP as set forth in Board Order 501-2013.

Docket No. 347-2013– The application of Statoil Oil and Gas LP was continued to the February 2014 hearing.

Docket No. 348-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of Statoil Oil and Gas LP as set forth in Board Order 502-2013.

Docket No. 472-2013 – A motion was made by Mr. Evans, seconded by Mr. King and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 499-2013.

Docket No. 494-2013– The application of Black Gold Energy Services, Inc. was continued to the February 2014 hearing.

Docket No. 542-2013 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to fine Summer Night Oil Company, LLC $500 for failure to appear, and that Summer Night Oil Company, LLC be scheduled for a show-cause hearing in February 2014 to determine why additional penalties should not be applied or why its wells should not be plugged as set forth in Board Order 510-2013.

NEXT MEETING

The next business meeting of the Board will be Wednesday, February 26, 2014 at 2:00 p.m. at the Board's hearing room at its office at the 2535 St. Johns Avenue in Billings Montana. The next regular public hearing will be Thursday, February 27, 2014, beginning at 8:00 a.m. at the Board's hearing room at its office at the 2535 St. Johns Avenue in Billings Montana. The filing deadline for the February 27, 2014, public hearing is January 23, 2014.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

Linda Nelson, Chairman
Ronald S. Efta
John Evans
Jack King
Bret Smelser

ATTEST:

Terri H. Perrigo, Executive Secretary

EXHIBIT 1

Antelope Resources Inc.

Improper Plugging of

Bailee #1 Well

SE/SE 18 (361' FSL & 679' FEL)

T11N – R28E

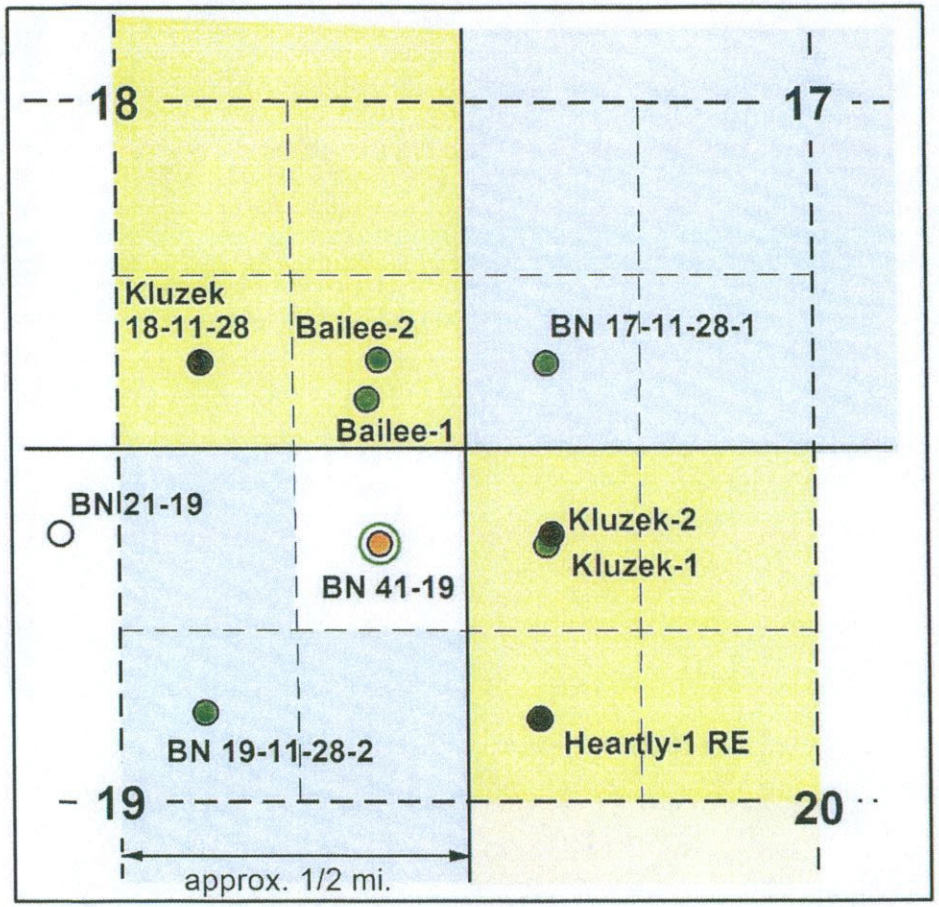
Howard Coulee Field

Musselshell County, Montana

- **GR EL – 3290'**
- **P & A – July 3, 2006**
- **TD – Tyler (3460)**
- **Surface casing to 340'**
- **No production casing**
- **No cement plugs over <u>Porous</u> Amsden & Piper formation at 3150 to 3300'**
- **<u>Lowest</u> cement plug is over lower 3rd Cat Creek Sands and Morrison Sands (2500 – 2650') - 50 Sacks**
  - **2nd plug – Base surface casing**
  - **3rd plug – top surface casing – 1 sack**

❖ **Note: R&A Comp Rpt – August 2007: Important Zones of Porosity**
  - **1st Cat Creek- 2189 – 2206**
  - **<u>Amsden- 3190 – 3351</u>**
  - **Tyler- 3351 – 3432**

27 North 27th Street, Suite 2102, Billings, Montana 59101
406-259-5781 Phone, 406-839-2381 Fax

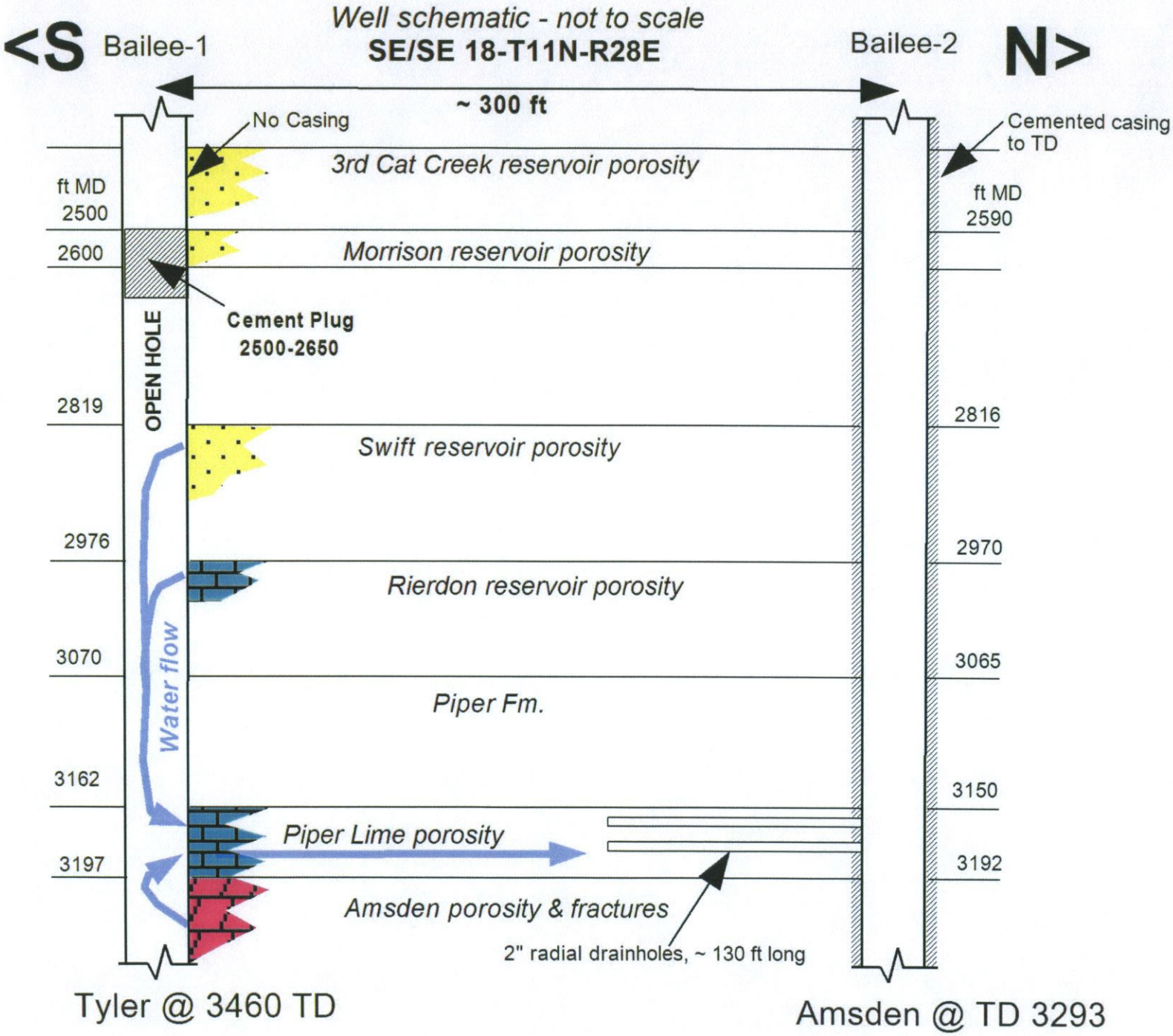


T11N - R28E

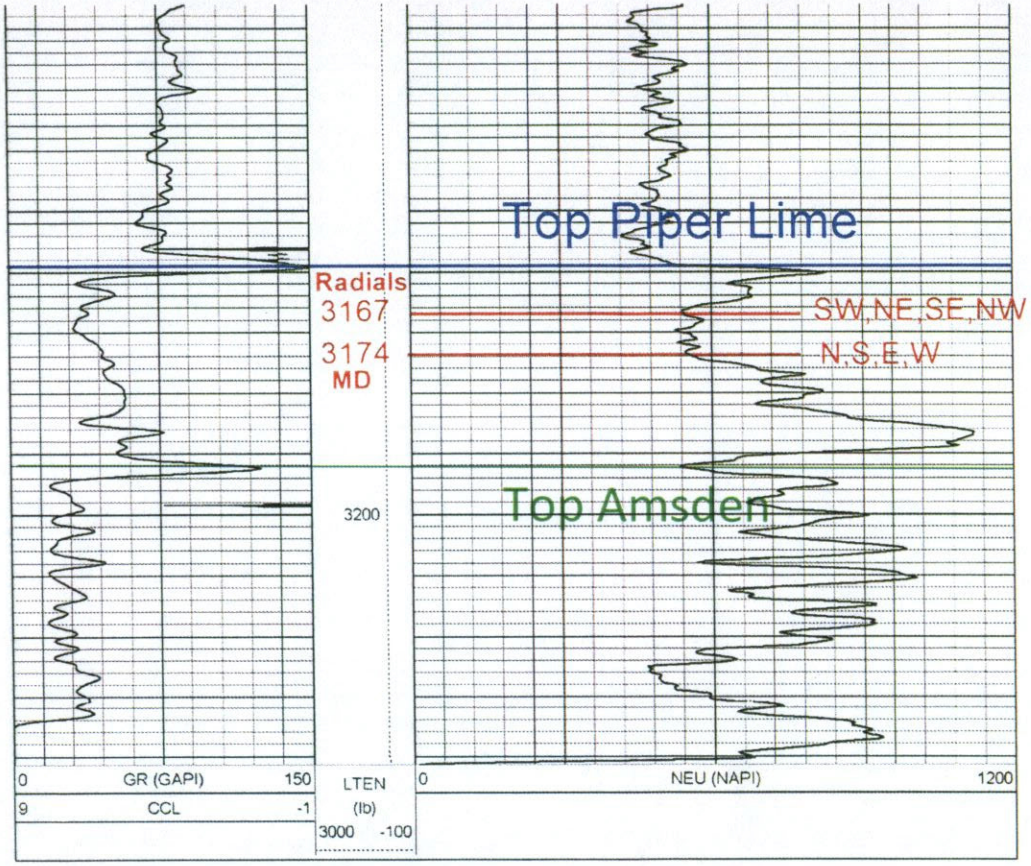
Well	Section	Spot	Description	
BN 17-11-28-1	17	C-SW-SW	660 ft FSL	660 ft FWL
Bailee-1	18	SE-SE	361 ft FSL	679 ft FEL
Bailee-2	18	C-SE-SE	660 ft FSL	660 ft FEL
Kluzek 18-11-28	18	C-SW-SE	660 ft FSL	1980 ft FEL
BN 21-19	19	NE-NW	660 ft FNL	2066 ft FWL
BN 41-19	19	C-NE-NE	660 ft FNL	660 ft FEL
BN 19-11-28-2	19	C-SW-NE	1980 ft FNL	1980 ft FEL
Kluzek-1	20	NW-NW	660 ft FNL	662 ft FWL
Kluzek-2	20	NW-NW	616 ft FNL	659 ft FWL
Heartly-1 RE	20	SW-NW	1980 ft FNL	662 ft FWL

- Productive from the Piper Lime
- Potential pay in the Piper Lime
- Productive from the Tyler

- Antelope Resources
- ConocoPhillips lease
- Cirque farmout


Well schematic - not to scale
SE/SE 18-T11N-R28E
<S
Bailee-1
Bailee-2
N>
~ 300 ft
No Casing
Cemented casing to TD
ft MD
2500
2600
2819
2976
3070
3162
3197
ft MD
2590
2816
2970
3065
3150
3192
3rd Cat Creek reservoir porosity
Morrison reservoir porosity
Cement Plug
2500-2650
OPEN HOLE
Swift reservoir porosity
Rierdon reservoir porosity
Water flow
Piper Fm.
Piper Lime porosity
Amsden porosity & fractures
2" radial drainholes, ~ 130 ft long
Tyler @ 3460 TD
Amsden @ TD 3293

Antelope Resources Bailee-2 Porosity Log

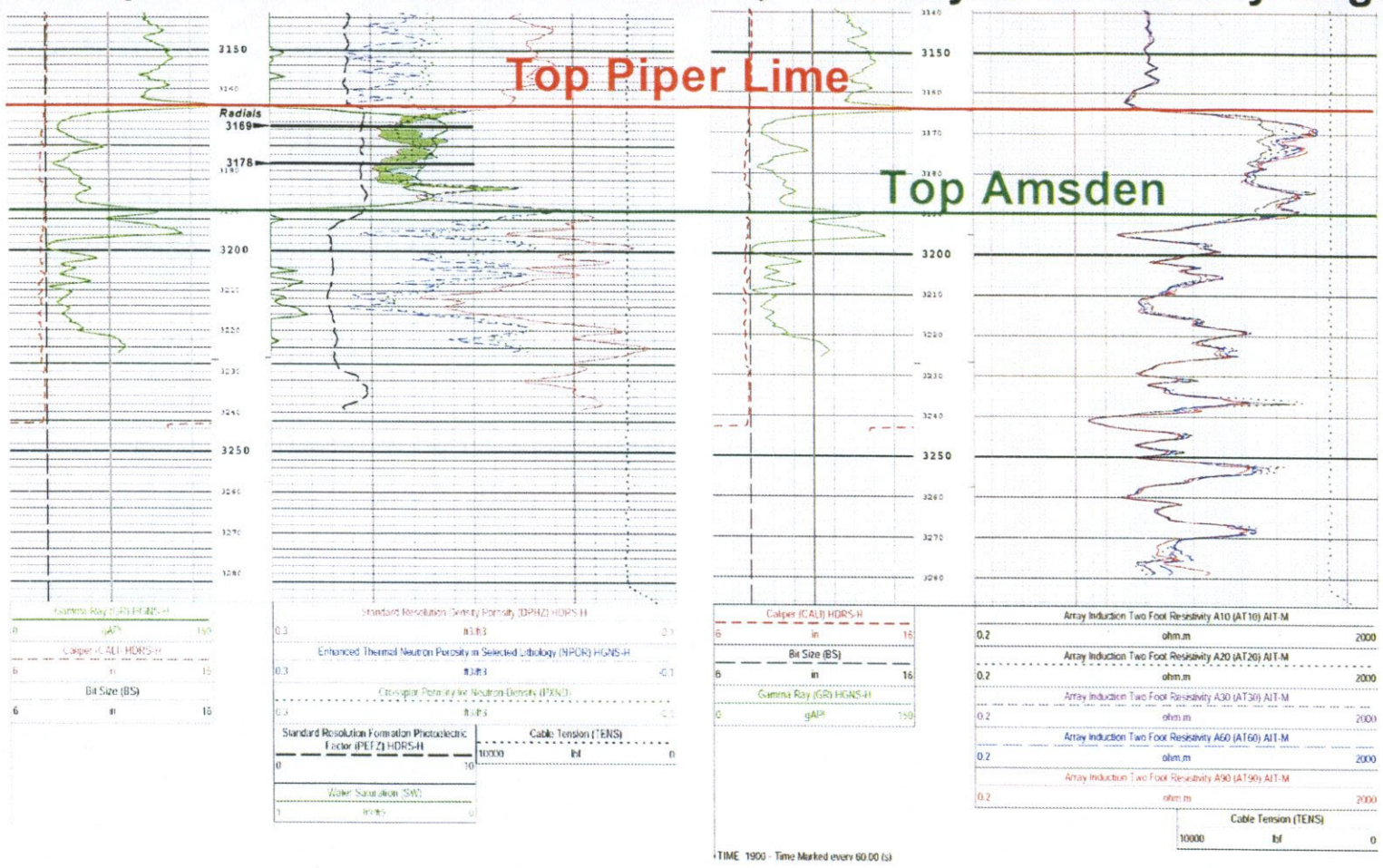


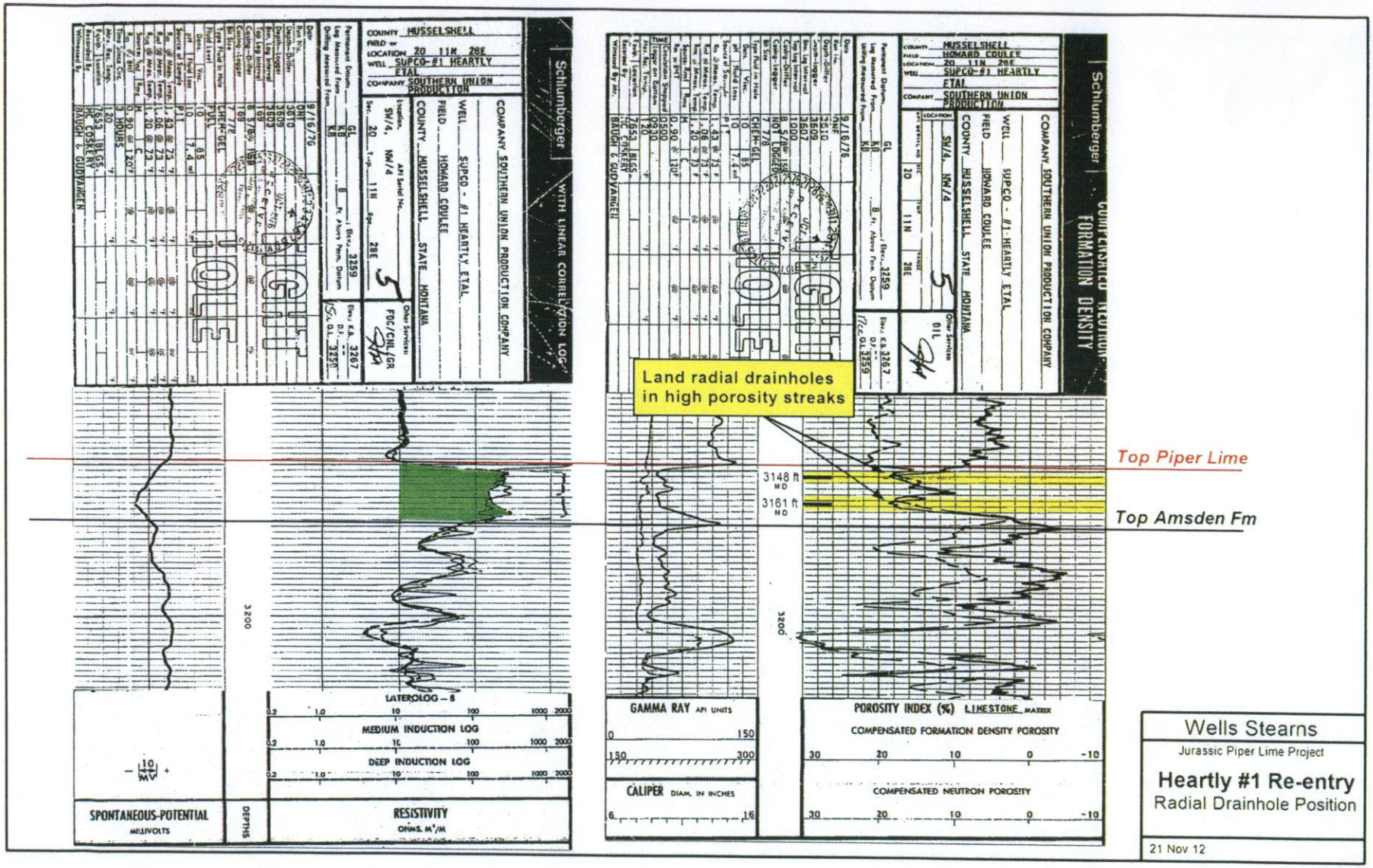
PIONEER

Pioneer Energy Services

Company	Antelope Resources/ JP 2
Well	Bailee #2
Field	Wildcat
County	Musselshell
State	Montana

Antelope Resources Lida Kluzek-2, Porosity & Resistivity Logs





Wells Stearns

Jurassic Piper Lime Project

Heartly #1 Re-entry

Radial Drainhole Position

21 Nov 12

Welex

COMPENSATED ACOUSTIC VELOCITY LOG

COMPANY GAS PRODUCING ENTERPRISES, INC.
WELL 17-11-28 BN
FIELD HOWARD COULEE AREA
County MUSSELSHELL State MONT.

COMPANY GAS PRODUCING ENTERPRISES INCORPORATED
WELL 17-11-28 BN
FIELD HOWARD COULEE AREA
COUNTY MUSSELSHELL STATE MONTANA

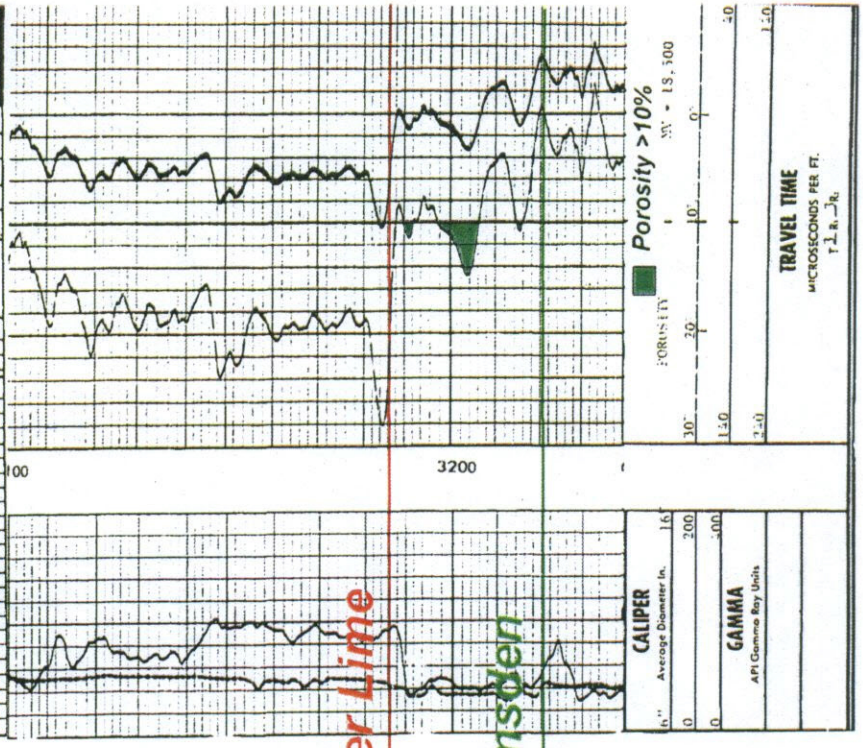
Location SW-SW 13
Sec. 17 Twp 11N Rge 28E

Other Services: IND. ELEC.

Permanent Datum GROUND LEVEL Elev. 3248'
Log Measured From KELLY BUSHING 10' Above Perm. Datum
Drilling Measured From KELLY BUSHING

Elev.: K.B. 3258'
D.F.
G.L. 3248'

Date	6-10-74			
Run No.	ONE			
Depth—Driller	3700'			
Depth—Welex	3691'			
Btm. Log Inter.	3682'			
Top Log Inter.	2000'			
Casing—Driller	213' @	@	@	@
Casing—Welex	211			
Bit Size	7 7/8"			
Type Fluid in Hole	WATER BASE MUD			
Dens. | Visc.	9.1 190			
pH | Fluid Loss	9.5 14.4 ml	ml	ml	ml
Source of Sample	MUD PIT			
R_m @ Meas. Temp.	1.5 @ 75°F	@ °F	@ °F	@ °F
R_{mf} @ Meas. Temp.	.8 @ 75°F	@ °F	@ °F	@ °F
R_{mc} @ Meas. Temp.	2.5 @ 75°F	@ °F	@ °F	@ °F
Source R_{mf} R_{mc}	MEASURED			
R_m @ BHT	1.0 @ 115°F	@ °F	@ °F	@ °F
Time Since Circ.	22 HOURS			
Max. Rec. Temp.	115°F @ T.D.	°F @	°F @	°F @
Equip. | Location	8611 | GILLETTE			
Recorded By	MR. D. LAWSON			
Witnessed By	MR. J. BERMAN			



Welex

INDUCTION • ELECTRIC LOG

COMPANY GAS PRODUCING ENTERPRISES, INC.
WELL 17-11-28 BN
FIELD HOWARD COULEE AREA
County MUSSELSHELL State MONT.

COMPANY GAS PRODUCING ENTERPRISES, INCORPORATED
WELL 17-11-28 BN
FIELD HOWARD COULEE AREA
COUNTY MUSSELSHELL STATE MONTANA

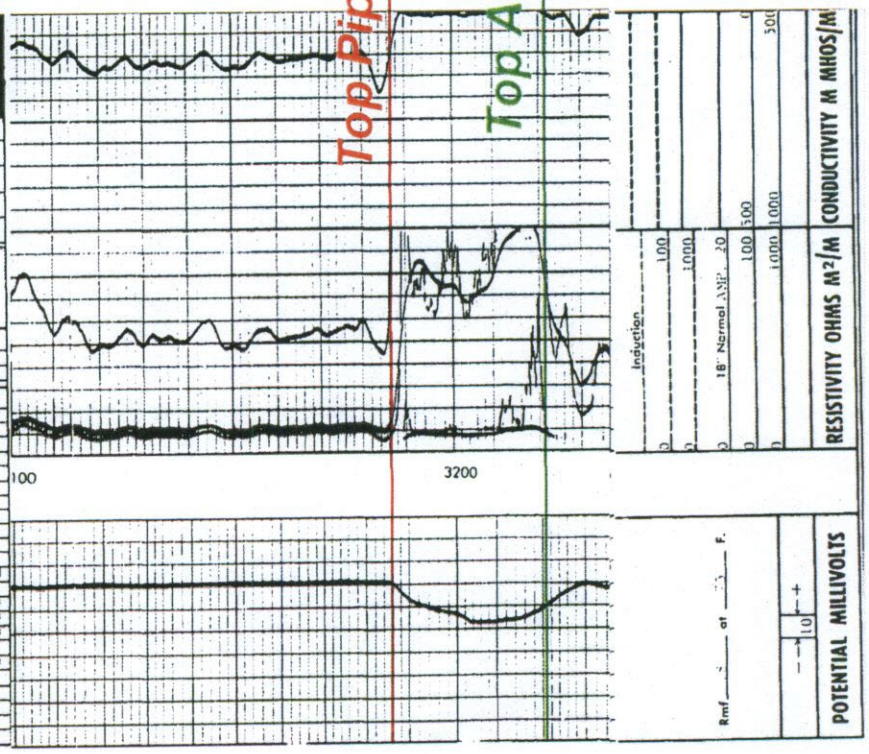
Location SW-SW 13
Sec. 17 Twp 11N Rge 28E

Other Services: CAVI.

Permanent Datum GROUND LEVEL Elev. 3248'
Log Measured From KELLY BUSHING 10' Above Perm. Datum
Drilling Measured From KELLY BUSHING

Elev.: K.B. 3258'
D.F.
G.L. 3248'

Date	6-10-74			
Run No.	ONE			
Depth—Driller	3700'			
Depth—Welex	3689'			
Btm. Log Inter.	3684'			
Top Log Inter.	SURFACE			
Casing—Driller	213' @ SURFACE	@	@	@
Casing—Welex	211			
Bit Size	7 7/8"			
Type Fluid in Hole	WATER BASE MUD			
Dens. | Visc.	9.1 190			
pH | Fluid Loss	9.5 14.4 ml	ml	ml	ml
Source of Sample	MUD PIT			
R_m @ Meas. Temp.	1.5 @ 75°F	@ °F	@ °F	@ °F
R_{mf} @ Meas. Temp.	.8 @ 75°F	@ °F	@ °F	@ °F
R_{mc} @ Meas. Temp.	2.5 @ 75°F	@ °F	@ °F	@ °F
Source R_{mf} R_{mc}	MEASURED			
R_m @ BHT	1.0 @ 115°F	@ °F	@ °F	@ °F
Time Since Circ.	22 HOURS			
Max. Rec. Temp.	115°F @ T.D.	°F @	°F @	°F @
Equip. | Location	8611 | GILLETTE			
Recorded By	MR. D. LAWSON			
Witnessed By	MR. J. BERMAN			



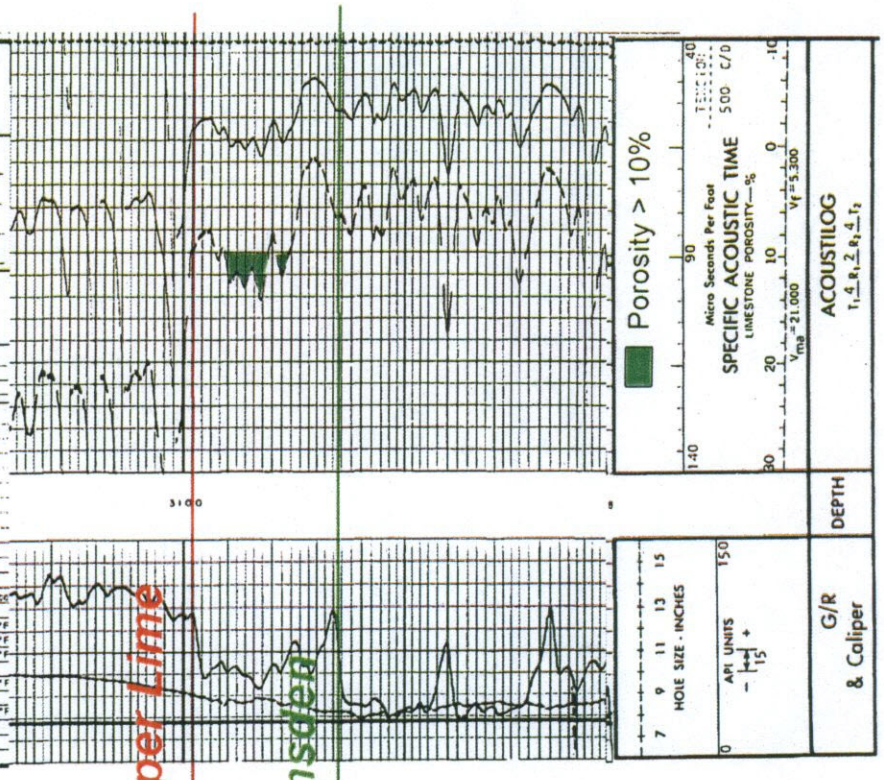
DresserAtlas

BHC Acoustilog®

FILE NO.	
COMPANY	GAS PRODUCING ENTERPRIZES AL-AQUITANE EXPLORATION LTD.
WELL	18-11-28 KLUZEK #1
FIELD	HOWARD COULEE
COUNTY	HUSSELLSHELL STATE MONTANA
LOCATION	SW - SE 660'FSL 1980'FEL
Other Services	IEL
SEC 18	TWP 11N RGE 28E

Permanent Datum	G.L.	Elev. 3259	Elevations KB 3268
Log Measured from	K.B.	10 Ft. Above Permanent Datum	DF
Drilling Measured from	K.B.		GL 3258

Date	10-11-77			
Run No.	ONE			
Depth—Driller	3620			
Depth—Logger	3615			
Bottom Logged Interval	3611			
Top Logged Interval	207			
Casing—Driller	8 5/8 @ 216	@	@	@
Casing—Logger	207			
Bit Size	7 7/8"			
Type Fluid in Hole	MUD GEL			
Density and Viscosity	9.9 | 55	@	@	@
pH and Fluid Loss	10.0 | 8.0 cc	cc	cc	cc
Source of Sample	CIRCULATED			
Rm @ Meas. Temp.	.85 @ 71 °F	@ °F	@ °F	@ °F
Rmf @ Meas. Temp.	1.0 @ 71 °F	@ °F	@ °F	@ °F
Rmc @ Meas. Temp.	0.9 @ 71 °F	@ °F	@ °F	@ °F
Source of Rmf and Rmc	MEAS. | MEAS.			
Rm @ BHT	-- @ NA °F	@ °F	@ °F	@ °F
Time Since Circ.	2.5 HOURS			
Max. Rec. Temp. Deg. F.	NA °F	°F	°F	°F
Equip. No. and Location	6078 | GLTTE			
Recorded By	OFFORD			
Witnessed By	MR. NORDQUIST			



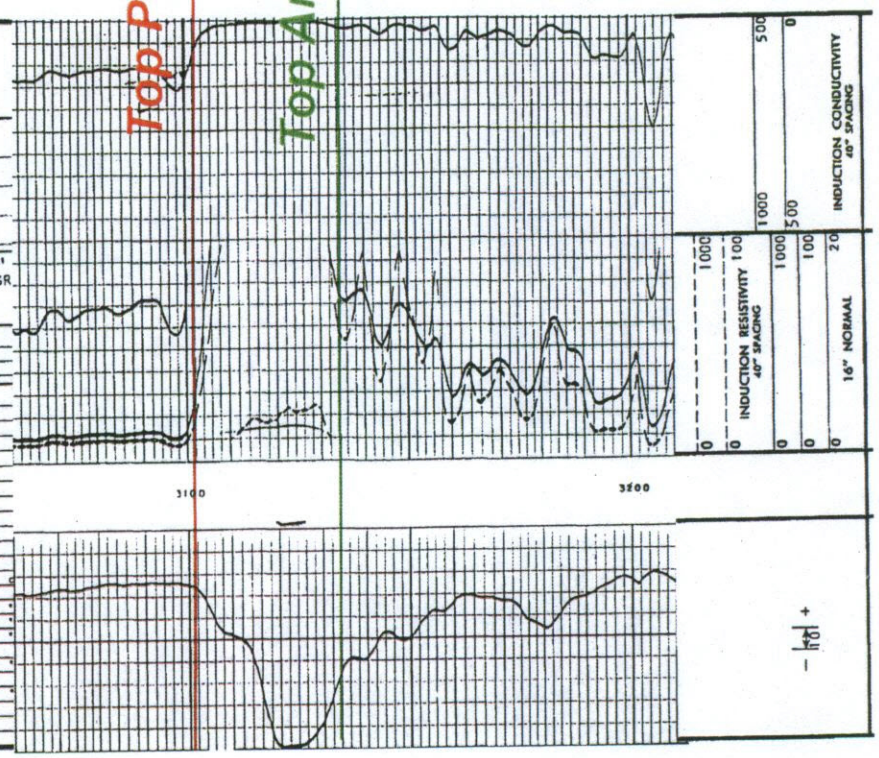
DresserAtlas

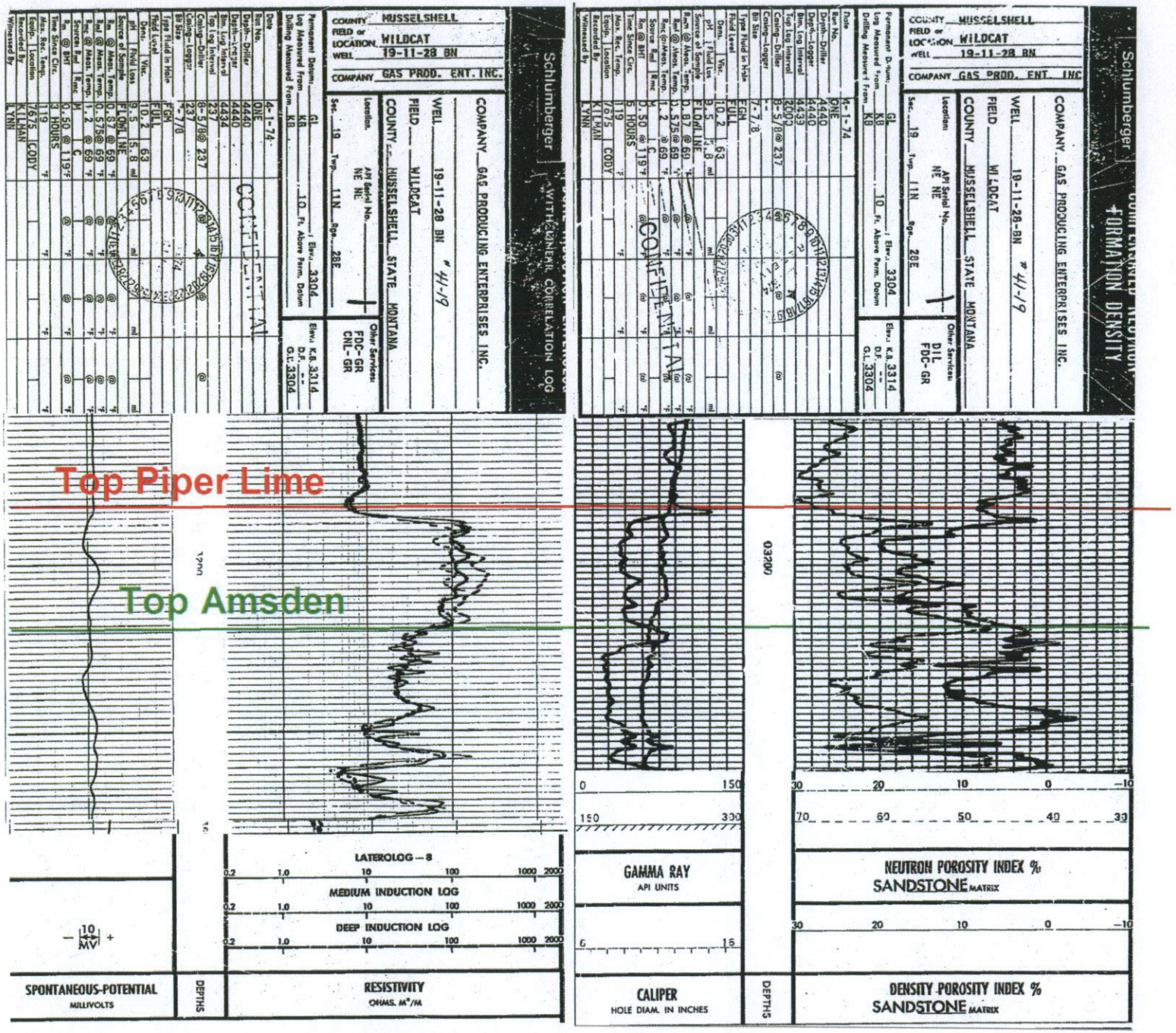
Induction Electrolog®

FILE NO.	
COMPANY	GAS PRODUCING ENTERPRIZES AL-AQUITANE EXPLORATION LTD.
WELL	18-11-28 KLUZEK #1
FIELD	HOWARD COULEE
COUNTY	HUSSELLSHELL STATE MONTANA
LOCATION	SW - SE 660' FEL 1980' FEL
Other Services	BHC ALC-GR
SEC 18	TWP 11N RGE 28E

Permanent Datum	G.L.	Elev. 3258	Elevations KB 3268
Log Measured from	K.B.	10 Ft. Above Permanent Datum	DF
Drilling Measured from	K.B.		GL 3258

Date	10-11-77			
Run No.	ONE			
Depth—Driller	3620			
Depth—Logger	3615			
Bottom Logged Interval	3610			
Top Logged Interval	207			
Casing—Driller	8 5/8 @ 216	@	@	@
Casing—Logger	207			
Bit Size	7 7/8"			
Type Fluid in Hole	MUD GEL			
Density and Viscosity	9.9 | 55	@	@	@
pH and Fluid Loss	10 | 8.0 cc	cc	cc	cc
Source of Sample	CIRCULATED			
Rm @ Meas. Temp.	.85 @ 71 °F	@ °F	@ °F	@ °F
Rmf @ Meas. Temp.	1.0 @ 71 °F	@ °F	@ °F	@ °F
Rmc @ Meas. Temp.	.90 @ 71 °F	@ °F	@ °F	@ °F
Source of Rmf and Rmc	MEAS. | MEAS.			
Rm @ BHT	-- @ NA °F	@ °F	@ °F	@ °F
Time Since Circ.	1 HOUR			
Max. Rec. Temp. Deg. F.	NA °F	°F	°F	°F
Equip. No. and Location	6078 GLTTE			
Recorded By	OFFORD			
Witnessed By	MR. NORDQUIST			





R&A (Gas Prod) BN 41-19