

Request for Show-Cause

Alturas Energy LLC

Board Business Meeting February 25th, 2015

Field Violations at the Degn 29-44, Bass Marker 20-33, and Scheetz 21-1, Richland County, Montana

- There is contaminated soil inside the tank battery firewall and vegetation at the Degn 29-44 wellsite
 - A well sign is needed at the Bass Marker 20-33 and there is vegetation on location
 - There is vegetation on the Scheetz 21-1 wellsite
-
1. A letter was sent on December 17th, 2014 addressing the violations
 2. A certified letter was sent on January 27th, 2015 informing Alturas Energy LLC that they would be discussed at the board meeting on February 25th, 2015.

Page 1: Inspection Status Report
Page 2: Enforcement Status Report
Page 3: Bond Summary

Inspection Status Report

Sidney

Run Date: 2/25/2015

Page 1 of 1

Operator Name	Well Name and Number	API Well No.	Location	UIC Permit
Alturas Energy LLC	Scheetz 21-1	25-083-21294-00-00	SI OIL 22 N 59 E 21 SW SE SW	
<input checked="" type="checkbox"/> Failure <input checked="" type="checkbox"/> Violation	iNL00022784	Inspector: RU	Inspection Date: 8/11/2014	Compl. Required: 9/29/2014
SLOW. Remove vegetation, inside/on berms, around wellhead.		-1200 Firewalls, Berms		Extended To:
				Dt Referral: 10/15/2014
				Compl. Reported:
9/15/2014	RU	SLOW. 2nd notice - follow-up on 8-11-2014 inspection, not in compliance. Per Marty Cox, workover rig to be brought in to bring well onto production.		
10/15/2014	RU	Follow up on 8-11-14, 9-15-14. Remove vegetation.		
11/18/2014	RU	Follow up from 8-11-14, 9-15-14, and 10-15-14.		
1/27/2015	RU	Follow up on violations. Violations still not corrected.		
Alturas Energy LLC	Bass-Marker 20-33	25-083-21506-00-00	SI OIL 22 N 59 E 20 C SE SE	
<input checked="" type="checkbox"/> Failure <input checked="" type="checkbox"/> Violation	iNL00023137	Inspector: RU	Inspection Date: 9/15/2014	Compl. Required: 10/15/2014
SLOW. Per Marty Cox, sundry notice will be mailed to MT State to P&A well.		-1180 Fire Hazards, Weeds		Extended To: 11/15/2014
		-1540 Signage		Dt Referral: 11/18/2014
				Compl. Reported:
10/15/2014	RU	Follow up on 9-15-14. Report well status. Remove all veg. No legal description. Well location is being used to dump beet tailings.		
11/18/2014	RU	Follow up on 9-15-14, 10-15-14. Violations still in effect. 3rd notice. Referred to Billings office.		
1/27/2015	RU	Follow up on inspections. Violations still not corrected.		
Alturas Energy LLC	Degn 29-44	25-083-21769-00-00	SI OIL 22 N 59 E 29 NE NE	
<input checked="" type="checkbox"/> Failure <input checked="" type="checkbox"/> Violation	iNL00023140	Inspector: RU	Inspection Date: 9/15/2014	Compl. Required: 10/15/2014
SLOW. Per Marty Cox, intend to convert well to SWD.		-1180 Fire Hazards, Weeds		Extended To: 11/15/2014
		-1240 Housekeeping		Dt Referral: 11/18/2014
				Compl. Reported:
10/15/2014	RU	Follow up on 9-15-14. Report well status. Remove all vegetation. Remove contaminated soil.		
11/18/2014	RU	Follow up on 9-15-14, 10-15-14. Violations still in effect.		
1/27/2015	RU	Follow up on inspections. All previous violations have not been corrected.		

Enforcement Status Report

*Run Date: 2/25/2015**Page 1 of 1***Alturas Energy LLC****Action Date:** 12/19/2014**Closed:****Enforcement Items:**Well Identification / Signage
HousekeepingBass Marker 20-33
Weeds**Action:**Letter, Certified
Letter1/27/2015 Letter sent addressing board meeting
12/19/2014 Letter sent to operator.**Comment:** Report well status.

Alturas Energy LLC**Action Date:** 12/17/2014**Closed:****Enforcement Items:**

Housekeeping

Degn 29-44. Report well status. Remove contaminated soil inside tan
battery firewall.**Action:**Letter, Certified
Letter1/27/2015 Letter sent addressing board meeting
12/17/2014 Letter sent to operator.**Comment:**

Alturas Energy LLC**Action Date:** 12/20/2014**Closed:****Enforcement Items:**

Housekeeping

Scheetz 21-1

Action:Letter, Certified
Letter1/27/2015 Letter sent addressing board meeting
11/20/2014 Letter to operator sent**Comment:** Remove all vegetation.

Plugging and Reclamation Bonds With Well List

ALTURAS ENERGY LLC		658	Bond: M1	\$50,000.00	Multiple Well Bond	Active	Wells: 7	Approved	Allowed: 12/14/2010	
Certificate of Deposit		Active	FIRST INTERSTATE BANK	\$50,000.00						
API #	Operator	Well	Location			Field	TD	PBTD	Status	
083-21506	Alturas Energy LLC	Bass-Marker 20-33	22 N	59 E	20	C SE SE 660S 660E	Eagle	12400	8794	SI OIL
083-21294	Alturas Energy LLC	Scheetz 21-1	22 N	59 E	21	SW SE SW 330S 1360W	Eagle	12400	8792	SI OIL
083-21350	Alturas Energy LLC	Andrew Petersen 28-1	22 N	59 E	28	W2 NW 1320N 1140W	Eagle	10782	10696	SI OIL
083-21769	Alturas Energy LLC	Degn 29-44	22 N	59 E	29	NE NE 50N 660E	Eagle	12360	12277	SI OIL
083-21292	Alturas Energy LLC	Carlsen-Lyche 21-41	23 N	59 E	21	NE NE 660N 510E	Sidney	9280	9220	SI OIL
083-21346	Alturas Energy LLC	Carlsen-Lyche 22-12	23 N	59 E	22	SW NW 2086N 554W	Sidney, East	9320	9272	SI OIL
083-21511	Alturas Energy LLC	Sundheim 14-15	24 N	59 E	15	C SW SW 660S 660W	North Fork	12740	12676	SI OIL

Comment:



Kraken Oil & Gas LLC

9821 Katy Freeway – Ste. 460, Houston, TX 77024

January 21, 2015

SM Energy Company
Attn: Valeri Kaae
PO Box 7168
Billings, MT 59103

Re: Letter of Support for TSU Application
T26N-R59E, Sec. 26 & 27
Richland County, MT

Gentlemen:

This letter is being provided to indicate Kraken Oil & Gas LLC's support of SM Energy's temporary spacing unit application pertaining to the development of the Bakken/Three Forks formation in the referenced lands.

Preliminary title work indicates that Kraken may own a majority working interest in Sections 24 and 25 adjacent to SM's proposed spacing unit, and we are currently considering our own TSU application for horizontal development in this stand-up configuration. It is our opinion that the narrow stateline sections in this area can be more effectively produced when accessed by N/S wellbores than they could be if incorporated into an E/W drilling pattern. While we're hopeful for our own increased activity in the Cattails-Nohly area, the current economic scenario precludes a definitive commitment as to the timing of additional drilling.

Yours truly,

KRAKEN OIL & GAS LLC

Bruce Larsen
President/CEO



February 25, 2015

Montana Board of Oil and Gas Conservation
2535 St. Johns Ave.
Billings, Montana 59102

SUBJ: Study of Feasibility of Enhanced Oil Recovery from the Bakken Formation in
Elm Coulee Field, Richland County, Montana

Dear Board Members:

In early 2012 certain members of the Petroleum Engineering Department at Montana Tech began a study of Elm Coulee Bakken EOR feasibility with funding and agreement from the Montana Board of Oil and Gas. The timeline of the agreement called for a report at the end of three years which would detail the results of the engineering study and provide recommendations for future action. That study is essentially completed and is transmitted to the Board at this time.

The widespread development of Bakken formation oil is a fairly recent event in Williston Basin history and as such the Bakken has not been evaluated for enhanced oil recovery when primary reservoir pressures decline. The subject study is an in-depth evaluation of the Bakken characteristics in Elm Coulee field with the creation of a reservoir model which predicts the Bakken flow performance under various enhanced injection conditions. This study has developed significant conclusions about Bakken potential and can serve as a guide for oil operators who wish to pursue Bakken EOR.

A primary purpose of this study was to transmit important engineering information about Bakken future potential to the oil industry and the public. To this end, we are proposing a Plan of Distribution, and stand ready to assist the Board in carrying out the plan. It is our hope that oil operators in Elm Coulee field will use this study information to move forward with individual plans to develop EOR projects of their own. The study is intended to be a catalyst for future economic growth in the Bakken.

In addition to the EOR feasibility study, the engineering investigators proposed to the Board in 2012 that the project be extended for a fourth and fifth year to prepare and advance a representative field pilot test, which could be utilized by interested oil operators. We are proposing to follow that plan, and with Board approval, will continue with work on a pilot test and associated field and reservoir engineering studies. Attached to this letter is a table showing the first three years budgeted funds and actual expenditures, and the proposed next two years of proposed expenditures.

We of the Montana Tech Petroleum Engineering Department who have been conducting this study wish to thank the Board for their support and vision, and we look forward to completing the full five years of study to assist with bringing Enhanced Oil Recovery to the Bakken of eastern Montana.

Sincerely,



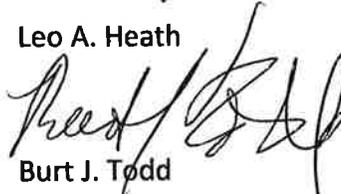
John G Evans



David Reichhardt



Leo A. Heath



Burt J. Todd

Actual and Proposed Budget Amounts

Elm Coulee EOR Feasibility Study			
	Budget	Actual	Available
2012-13-14	\$ 535,781	\$ 396,117	\$ 139,663
2015*	\$ 168,581		
2016	\$ 163,381		
TOTAL	\$ 867,743		

* Note: 2015 funds were budgeted at YE 2014.

Elm Coulee EOR Feasibility Report Distribution Plan

The information generated from the Elm Coulee Bakken EOR Study is of benefit to the Elm Coulee lease operators, the oil industry, and the state economy. The primary recommendation from the study is to conduct a pilot gas injection test in the field to verify the predictions of the study. In this regard, the study information should be disseminated to the public and the oil industry.

Proposed methods to distribute the study information are as follows:

- Send copies of the study report to all Bakken well operators in Elm Coulee field.
- Advertise to the Montana Petroleum Association and other industry and professional organizations, on the availability and features of the study.
- Provide speakers to industry organizations and meetings with active Montana oil and gas members to promote the information and recommendations of the study.
- Organize industry forums to present the study information and discuss steps to follow up on the study recommendations.
- Other distribution methods as suggested by the Board.

Study of Feasibility of EOR from the Bakken Formation in Elm Coulee Field

By: Montana Tech Petroleum Engineering

For: Montana Board of Oil and Gas
Conservation

2015

Purpose

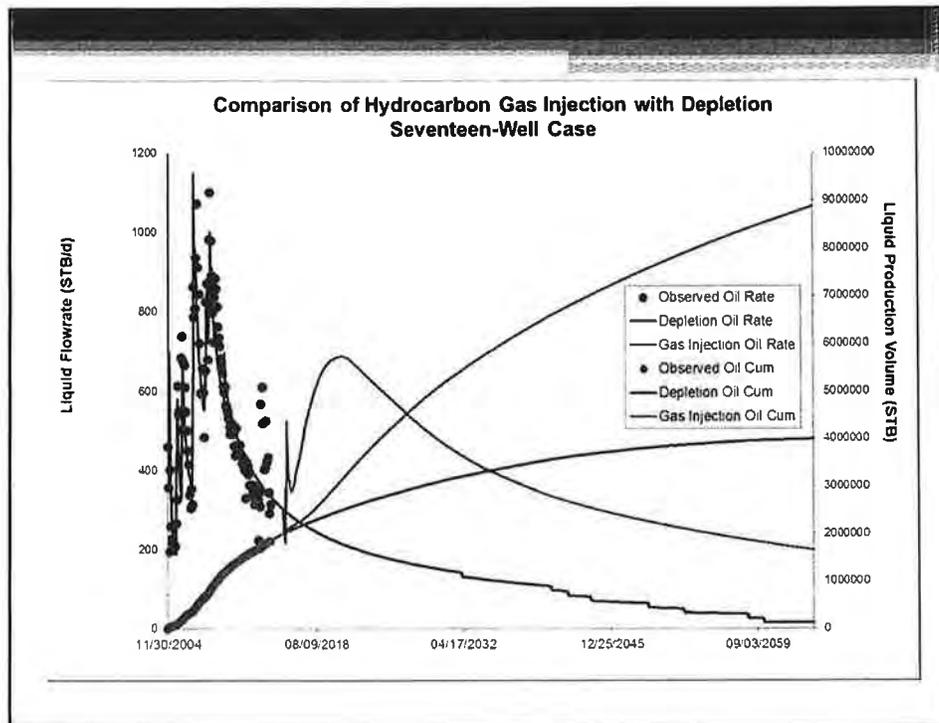
- **Provide knowledge for future Bakken EOR**
- **Predict performance of improved recovery**
- **Estimate economics from recovery methods**
- **Propose the design of further EOR pilot tests**

Status

- **Compiled and analyzed Elm Coulee Bakken data**
- **Estimated Bakken reserves and recovery**
- **Characterized reservoir in a 6-section study area**
- **Computer modeled study area performance**
- **Modeled EOR performance for gaseous injection**
- **Estimated economic return for EOR projects**
- **Gathered conclusions into summary report**
- **Proposing a plan for field pilot testing**

Field Summary

- **The 870 Elm Coulee Bakken wells comprise a primary reserve of 250 MMBO, which is 12.2% recovery of OOIP.**
- **The Bakken reservoir rock is characterized by presence of low matrix porosity, micro fracture networks, and induced hydraulic fractures.**
- **The natural fracture conductivity, and consequent well productivity, is dependent on the magnitude of reservoir pressure.**



Reservoir Model Summary

- **The low level of reservoir conductivity limits the use of EOR fluids to gases (natural gas, CO₂, nitrogen)**
- **EOR re-pressurization and oil recovery is very slow with current well spacing, which leads to infill drilling.**
- **Even with increased well density, gas injection EOR performance is uneconomic at current operating conditions.**
- **The very large EOR oil target and the potential for better economics justifies the design of field pilot testing.**

Conclusions

- **The Bakken reservoir will require some method of EOR to recover in excess of 12.2% of oil in place.**
- **Performance predictions are being made with a scarcity of reservoir data which must be supplemented with future drilling and Pilot test results.**
- **The EOR target for Elm Coulee is 675MMBO, and will require a 40 year gas injection program plus increased well density for recovery.**
- **Increased oil prices and regulatory incentives are needed to attract industry EOR investment.**
- **Implementation of field pilot tests are critical.**

Proposals

- **Transmit study results to the public and industry.**
- **Design necessary field pilot injection test projects.**
- **Assist field operators in implementing pilot tests.**
- **Update study models with acquired pilot information.**

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT 2/21/15		
	FY 15	FY 14
510414 Oil & Gas Production Tax	\$636,118.66	\$0.00
Oil Production Tax	\$0.00	\$2,207,095.94
Gas Production Tax	\$0.00	\$177,201.39
503601 Drilling Permit Fees	\$30,475.00	\$44,850.00
502302 UIC Permit Fees	\$107,350.00	\$227,200.00
530025 Interest on Investments	\$2,687.24	\$3,659.91
520921 Copies of Documents	\$3,504.05	\$4,529.13
Miscellaneous Reimbursemts	\$0.00	\$0.00
TOTALS	\$780,134.95	\$2,664,536.37

REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 2/21/15	
	FY 15
Transfer in from Orphan Share	\$0.00
582716 RIT Interest	\$0.00
545031 Bond Forfeitures	\$20,128.21
530025 Interest on Investments	<u>\$290.65</u>
TOTAL	\$20,418.86

Investment Account Balances - 2/21/15	
Regulatory Account (02432)	4,841,840.08
Damage Mitigation Account (02010)	456,598.40

REVENUE INTO GENERAL FUND FROM FINES as of 2/21/15		
		FY 15
AMERICAN MIDWEST OIL AND GAS CORP	1/23/2015	\$5,000.00
Bensun Energy	11/21/2014	\$130.00
BLACK BUTTE DRILLING LLC	1/21/2015	\$1,000.00
BUCKLEY PRODUCING CO	12/22/2015	\$60.00
CENTRAL MONTANA RESOURCES LLC	9/12/14	\$320.00
CGC LLC/GRYNBERG, JACK	1/30/2015	\$70.00
DANIELSON PATRICIA/DANIELSON, LLOYD	10/3/14	\$70.00
DELPHI INTERNATIONAL INC	1/30/2015	\$80.00
HAWLEY HYDROCARBONS	12/19/2015	\$2,500.00
HABETS GLEN	9/17/2014	\$90.00
JHR SPECIAL/RANKIN, PAUL	8/27/14	\$80.00
LONGSHOT OIL LLC	1/30/2015	\$80.00
KNAUP HARRY AND LUCILLE	2/6/2015	\$70.00
McCoil Montana One LLC	10/17/2014	\$80.00
MCOIL MONTANA ONE LLC	1/16/2015	\$80.00
MILLER CHRISTOPHER D/MILLER, CHRISTOPHER D	8/15/14	\$1,120.00
PRIMARY PETROLEUM COMPANY LLC	10/8/14	\$100.00
QUINQUE OIL	2/6/2015	\$80.00
SBG SHERIDAN FACILITY LLC	2/6/2015	\$60.00
SOUTHWESTERN ENERGY COMPANY	9/5/14	\$90.00
STEALTH ENERGY USA INC	9/12/14	\$90.00
STEALTH ENERGY USA INC	2/9/2015	<u>\$70.00</u>
		\$11,320.00

GRANT BALANCES - 2/21/2015

<u>Name</u>	<u>Authorized Amt*</u>	<u>Expended</u>	<u>Balance</u>	
2009 Northern RIT 10-8697	\$322,236.00	\$203,065.68	\$119,170.32	combined into new project 2009 Northern-Southern
2009 Southern RIT 10-8698	\$315,219.00	\$170,632.44	\$144,586.56	grant expires 09-30-15
2011 Southern - Tank Battery2 RIT 12-8723	\$204,951.00	\$129,460.17	\$75,490.83	grant expires 09-30-15
2011 Northern/Eastern RIT 13-8753	\$332,642.00	\$75,691.80	\$256,950.20	grant expires 12-31-15
2011 Eastern RIT 13-8752	\$318,498.00	\$277,445.00	\$41,053.00	grant expires 12-31-15
* includes match requirement for grant				
TOTALS	\$1,493,546.00	\$856,295.09	\$637,250.91	

CONTRACT BALANCES - 2/21/2015

	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	
HydroSolutions - EPA Primacy Class VI Injection	\$57,156.00	\$52,155.11	\$5,000.89	exp 5-31-15
MT Tech - Procedures Manual/Field Inspection System	\$32,699.00	\$8,564.72	\$24,134.28	exp 8-30-14
MT Tech - Survey of Native Proppant (SNaP)	\$383,101.00	\$218,252.95	\$164,848.05	exp 9-30-15
MT Tech - Elm Coulee EOR Study	\$863,905.00	\$392,465.61	\$471,439.39	exp 12-31-17
Automated Maintenance Services, Inc.	\$21,484.00	\$14,633.44	\$6,850.56	exp 6-30-15
Agency Legal Services (ALS - Legal)	\$50,000.00	\$33,939.22	\$16,060.78	exp 6-30-15
Central Avenue Mall FY 14	\$400.00	\$400.00	\$0.00	exp 5-31-15
Liquid Gold Well Service, Inc. - 09 Northern-Southern	\$263,756.00	\$0.00	\$263,756.00	exp. 6-30-15
C-Brewer - Big Wall Tank Battery	\$96,458.23	\$20,967.94	\$75,490.29	exp 9-30-15
Liquid Gold Well Service - 11 Eastern	\$316,405.00	\$277,445.00	\$38,960.00	exp 9-30-15
Liquid Gold Well Service -- 11 Northern/Eastern	\$201,325.00	\$75,691.80	\$125,633.20	exp 6-30-15
Teachers Workshop 2014 and 2015	\$96,000.00	\$42,085.41	\$53,914.59	exp 7-31-15
ALL Consulting - Server System Migration	\$21,000.00	\$21,000.00	\$0.00	exp. 7-16-14
ALL Consulting - Update Data Mining	\$28,000.00	\$28,000.00	\$0.00	exp 7-16-14
TOTALS	\$2,431,689.23	\$1,185,601.20	\$1,246,088.03	

ALS Expenditures in 1st 7/1/15 thru 2/21/2015

Case	Amt Spent	Last Svc Date
BOGC Duties	\$15,896.99	2/6/2015
Hekkel v BOGC	\$7,724.30	2/6/2015
CCRC vs. Board	\$10,317.93	2/6/2015
Total	\$33,939.22	

Bond Report

Montana Board of Oil and Gas Conservation Summary of Bond Activity

10/13/2014 Through 12/2/2014

Approved

Bensun Energy, LLC Sidney MT	622 G3	Approved	11/25/2014
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	STOCKMAN BANK, BILLINGS	
Bensun Energy, LLC Sidney MT	622 G2	Approved	11/25/2014
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	STOCKMAN BANK, BILLINGS	
BNV Energy Company LLC Houston TX	776 G1	Approved	11/17/2014
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST INTERSTATE BANK	
MCR, LLC Shelby MT	399 T8	Approved	10/22/2014
		Amount:	\$5,000.00
		Purpose:	UIC Single Well Bond
Certificate of Deposit	\$5,000.00	1ST STATE BANK - SHELBY	
Oasis Petroleum North America LLC Houston TX	533 T9	Approved	12/1/2014
		Amount:	\$10,000.00
		Purpose:	UIC Single Well Bond
Surety Bond	\$10,000.00	RLI INSURANCE COMPANY	
Smith, Lucile Shelby MT	731 D1	Approved	10/27/2014
		Amount:	\$5,000.00
		Purpose:	Domestic Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	

Forfeited

Summer Night Oil Company, LLC Denver CO	413 G3	Forfeited	11/19/2014
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	US Bank - Denver	
Summer Night Oil Company, LLC Denver CO	413 G2	Forfeited	11/19/2014
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	US Bank - Denver	
Summer Night Oil Company, LLC Denver CO	413 G1	Forfeited	11/19/2014
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	US Bank - Denver	

Released

Benjamin, Norman W. Sheby MT	637 W1	Released	10/28/2014
		Amount:	\$5,000.00
		Purpose:	One-Well Bond
Certificate of Deposit	\$5,000.00	FIRST BANK OF SHELBY	

**Montana Board of Oil and Gas Conservation
Summary of Bond Activity**

10/13/2014 Through 12/2/2014

Released

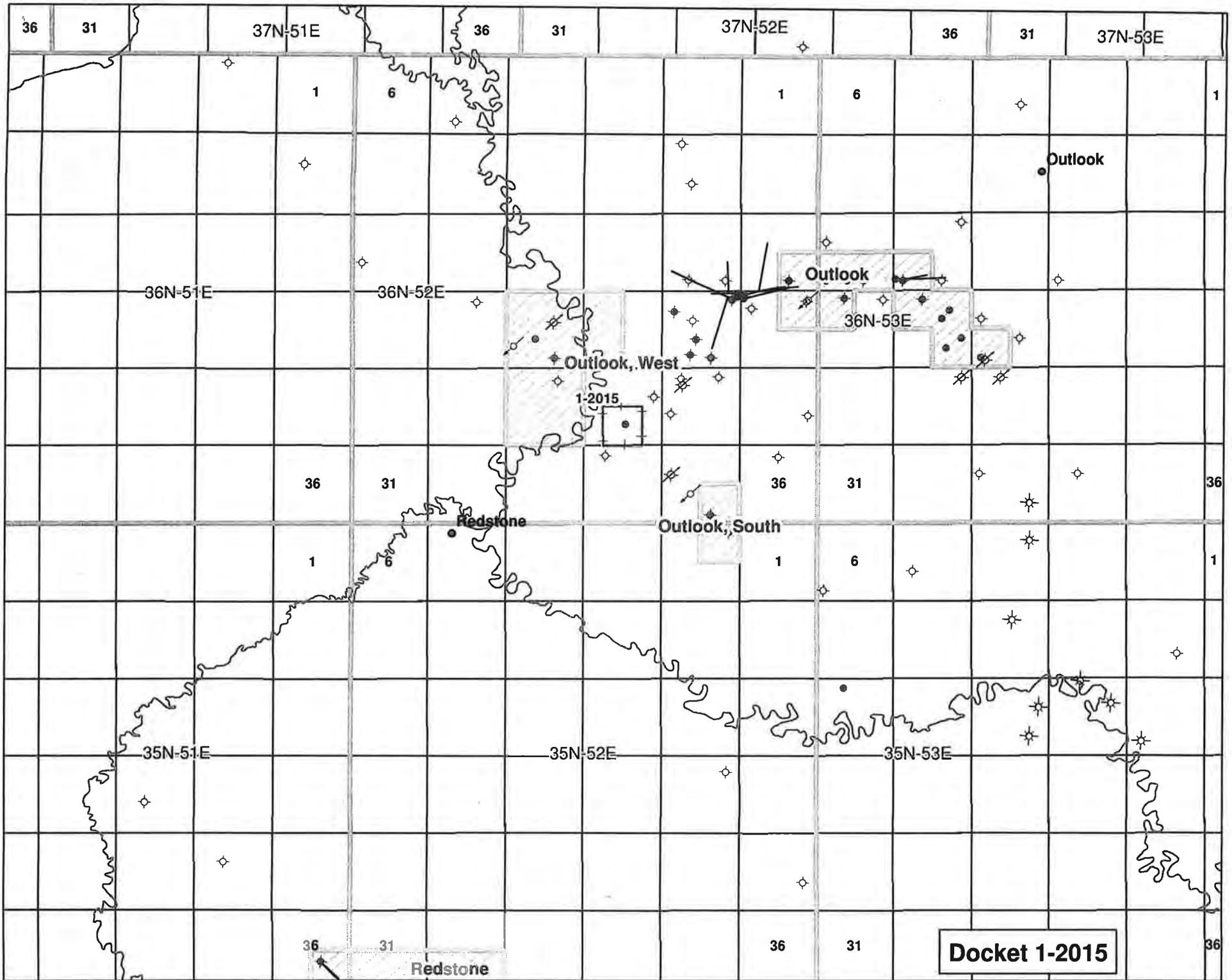
Long Rider, LLC Great Falls MT	751 G1	Released Amount: Purpose:	11/25/2014 \$5,000.00 Single Well Bond
Surety Bond	\$5,000.00 Lexon Insurance Company		
Southside Oil & Gas Ltd. Calgary AB	666 M1	Released Amount: Purpose:	10/22/2014 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00 FIRST INTERSTATE BANK		
Zell, Rawlin	8628 W2	Released Amount: Purpose:	10/27/2014 \$5,000.00 One-Well Bond
Certificate of Deposit	\$5,000.00 1ST STATE BANK - SHELBY		

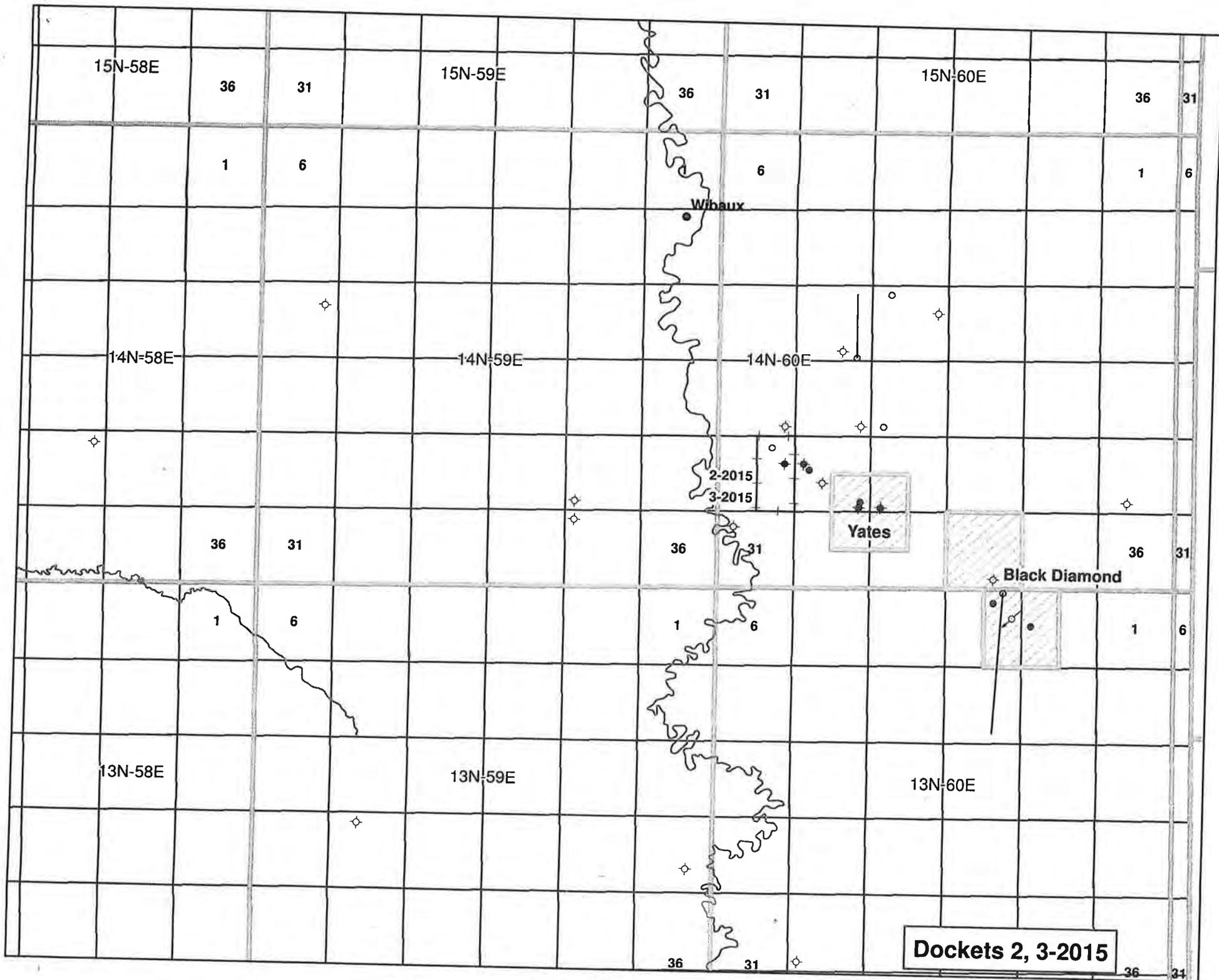
EXHIBIT 6

Docket Summary

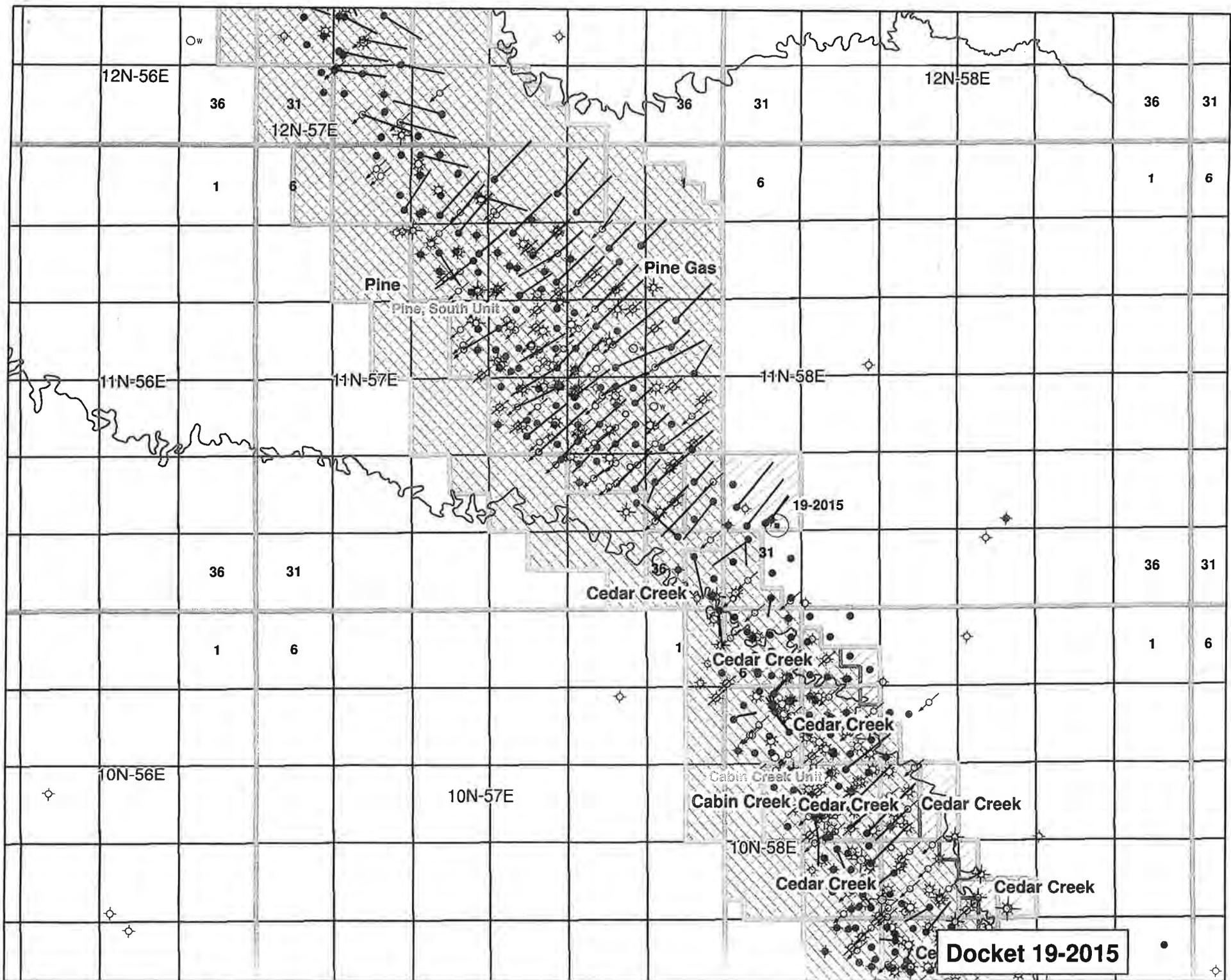
2/26/2015 Hearing

1-2015	Bensun Energy, LLC	Permanent spacing unit, Bakken/Three Forks, Nisku, all other formations not currently permanently spaced, 36N-52E-27: E/2 SW/4, W/2 SE/4 (Loucks #33-27). [REQUEST INCLUDES NON-PRODUCING FMS]		<i>Requested spacing unit currently delineated for Red River and Winnipegosis Formations for Loucks 33-27 well (Orders 64-1994, 92-1994).</i>	<input type="checkbox"/>
2-2015	Interstate Explorations, LLC	Permanent spacing unit, Red River Formation, 14N-60E-30: E/2 (Nelson #2-1).	Continued	<i>Related application: 2-2015, 3-2015</i> <i>Continued to April 2015 ltr date 2/20/15.</i>	<input type="checkbox"/>
3-2015	Interstate Explorations, LLC	Pool, permanent spacing unit, Red River Formation, 14N-60E-30: E/2 (Nelson #2-1). Non-consent penalties requested.	Continued	<i>Related application: 2-2015, 3-2015</i> <i>Continued to April 2015 ltr date 2/20/15.</i>	<input type="checkbox"/>
4-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-25: all, 36: all (Prewitt #21-25-1H). Non-consent penalties requested.		<i>PSU: Order 279-2014</i> <i>Additional Wells: 281-2014</i> <i>Related application: 4-2015, 5-2015, 6-2015</i>	<input type="checkbox"/>
5-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-25: all, 36: all (Prewitt #21-25-2H). Non-consent penalties requested.		<i>PSU: Order 279-2014</i> <i>Additional Wells: 281-2014</i> <i>Related application: 4-2015, 5-2015, 6-2015</i>	<input type="checkbox"/>
6-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-25: all, 36: all (Prewitt #21-25-3H). Non-consent penalties requested.		<i>PSU: Order 279-2014</i> <i>Additional Wells: 281-2014</i> <i>Related application: 4-2015, 5-2015, 6-2015</i>	<input type="checkbox"/>
7-2015	Whiting Oil and Gas Corporation	Permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-26: all, 35: all (Hunter #21-26-1H, Hunter #21-26-2H, Hunter #21-26-3H, Hunter #21-26-4H).		<i>Order 192-2014: 4 wells in TSU, 200'/500' setbacks</i> <i>Related application: 7-2015, 8-2015, 9-2015, 10-2015, 11-2015</i>	<input type="checkbox"/>
8-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-26: all, 35: all (Hunter #21-26-1H). Non-consent penalties requested.		<i>Related application: 7-2015, 8-2015, 9-2015, 10-2015, 11-2015</i>	<input type="checkbox"/>
9-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-26: all, 35: all (Hunter #21-26-2H). Non-consent penalties requested.		<i>Related application: 7-2015, 8-2015, 9-2015, 10-2015, 11-2015</i>	<input type="checkbox"/>
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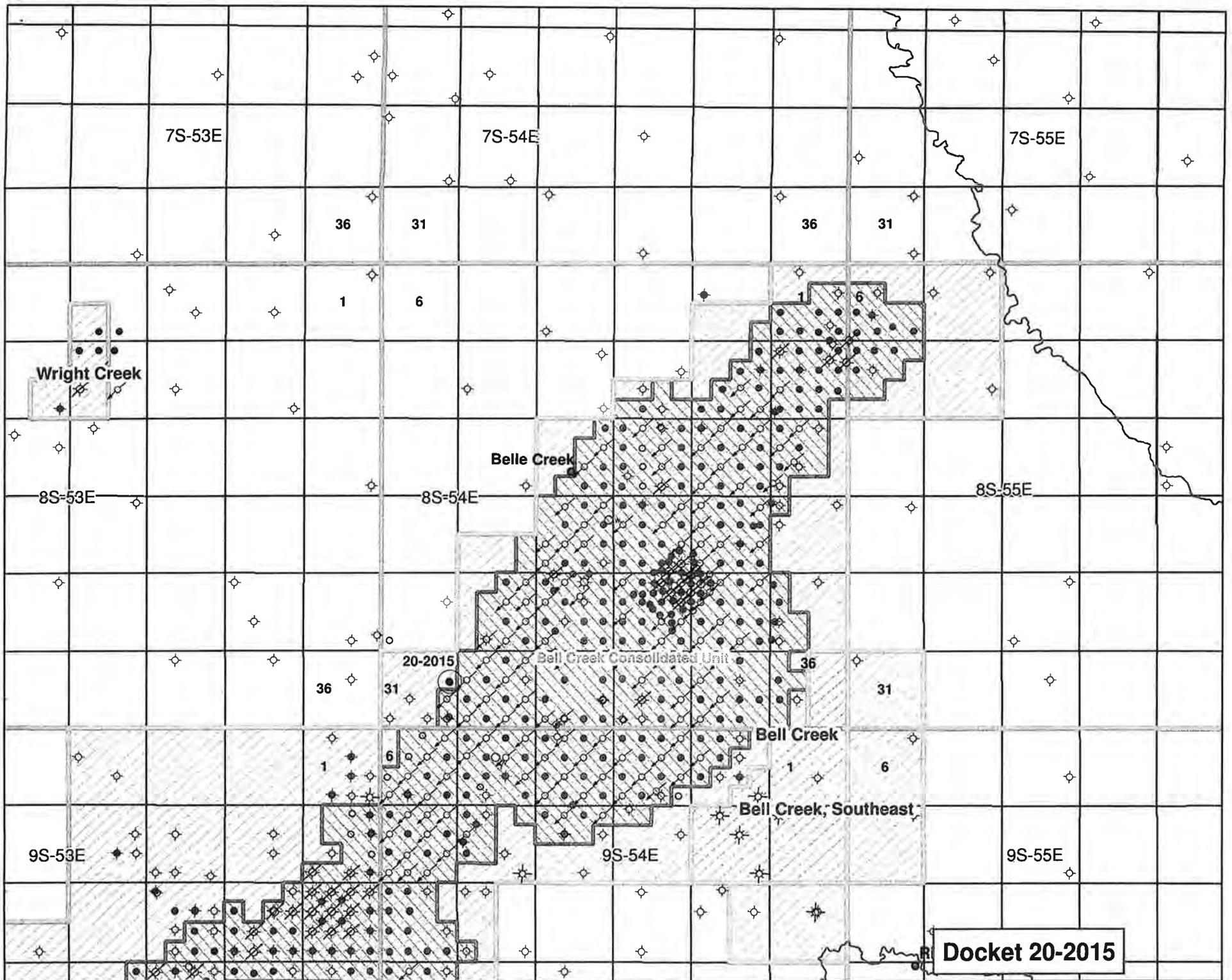


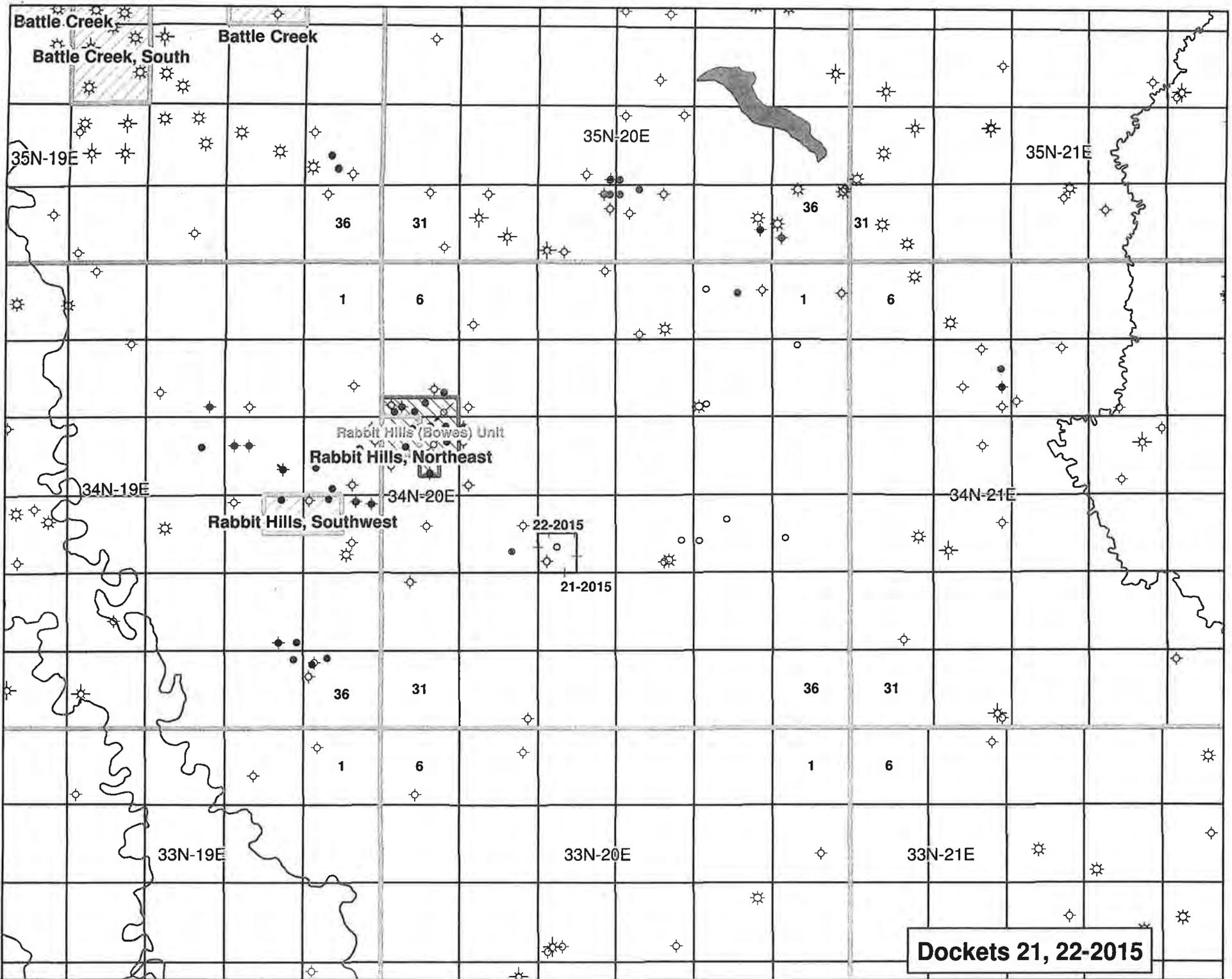


12-2015	Whiting Oil and Gas Corporation	Permanent spacing unit, Bakken/Three Forks Formation, 24N-59E-1: all, 12: all, 13: all (Young #31-1-1H, Young #31-1-2H, Young #31-1-3H, Young #31-1-4H).		Order 160-2014: 4 wells in TSU, 200'/500' setbacks Related application: 12-2015, 13-2015, 14-2015, 15-2015, 16-2015	<input type="checkbox"/>
13-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 24N-59E-1: all, 12: all, 13: all (Young #31-1-1H). Non-consent penalties requested.		Related application: 12-2015, 13-2015, 14-2015, 15-2015, 16-2015	<input type="checkbox"/>
14-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 24N-59E-1: all, 12: all, 13: all (Young #31-1-2H). Non-consent penalties requested.		Related application: 12-2015, 13-2015, 14-2015, 15-2015, 16-2015	<input type="checkbox"/>
15-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 24N-59E-1: all, 12: all, 13: all (Young #31-1-3H). Non-consent penalties requested.		Related application: 12-2015, 13-2015, 14-2015, 15-2015, 16-2015	<input type="checkbox"/>
16-2015	Whiting Oil and Gas Corporation	Pool, permanent spacing unit, Bakken/Three Forks Formation, 24N-59E-1: all, 12: all, 13: all (Young #31-1-4H). Non-consent penalties requested.		Related application: 12-2015, 13-2015, 14-2015, 15-2015, 16-2015	<input type="checkbox"/>
17-2015	True Oil LLC	Permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-4: all, 9: all (Delaney Federal #21-4 4-9H).	Protested	TSU, Order 175-2011, setback amendment by 195-2014. Related application: 17-2015, 18-2015 Protest - Kittleson Family Partnership.	<input type="checkbox"/>
18-2015	True Oil LLC	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-58E-4: all, 9: all (Delaney Federal #21-4 4-9H). Non-consent penalties requested.	Protested	Related application: 17-2015, 18-2015 Protest - Kittleson Family Partnership.	<input type="checkbox"/>
19-2015	Denbury Onshore, LLC	Convert the South Pine 24-30EH to Class II Injection well, EOR, Siluro-Ordovician Formations, 11N-58E-30: 300' FSL/ 1600' FEL, API #025-22128.	Default		<input type="checkbox"/>
20-2015	Denbury Onshore, LLC	Class II saltwater disposal permit, Muddy Formation, Biddle 31-08, 8S-54E-31: 2150' FNL/501' FEL (SE/4 NE/4), API Pending.	Default	Well 500' outside of EOR unit. Intended to be a barrier well to keep oil/CO2 inside of unit.	<input checked="" type="checkbox"/>
21-2015	Brown, J. Burns Operating Company	Permanent spacing unit, Sawtooth Formation, 34N-20E-21: SW/4 (Malsam 21-34-20B).		TSU: Order 149-2014 Related applications 21-2015, 22-2015	<input type="checkbox"/>
22-2015	Brown, J. Burns Operating Company	Pool, permanent spacing unit, Sawtooth Formation, 34N-20E-21: SW/4 (Malsam 21-34-20B). Non-consent penalties requested.		Related applications 21-2015, 22-2015	<input type="checkbox"/>
23-2015	BTA Oil Producers, LLC	Authorization to drill a Minnelusa Formation oil and gas well to a depth of 8500', 9S-51E-31: 350' FSL 700' FWL. Default request.	Default	South line is MT-WY border. Involves only federal minerals - WY & MT.	<input type="checkbox"/>
24-2015	Synergy Offshore LLC	Class II UIC Permit, Enhanced Recovery, Cut Bank Sand Formation, 35N-6W-35: SE NE SE, P835 (New well.)	Default		<input type="checkbox"/>

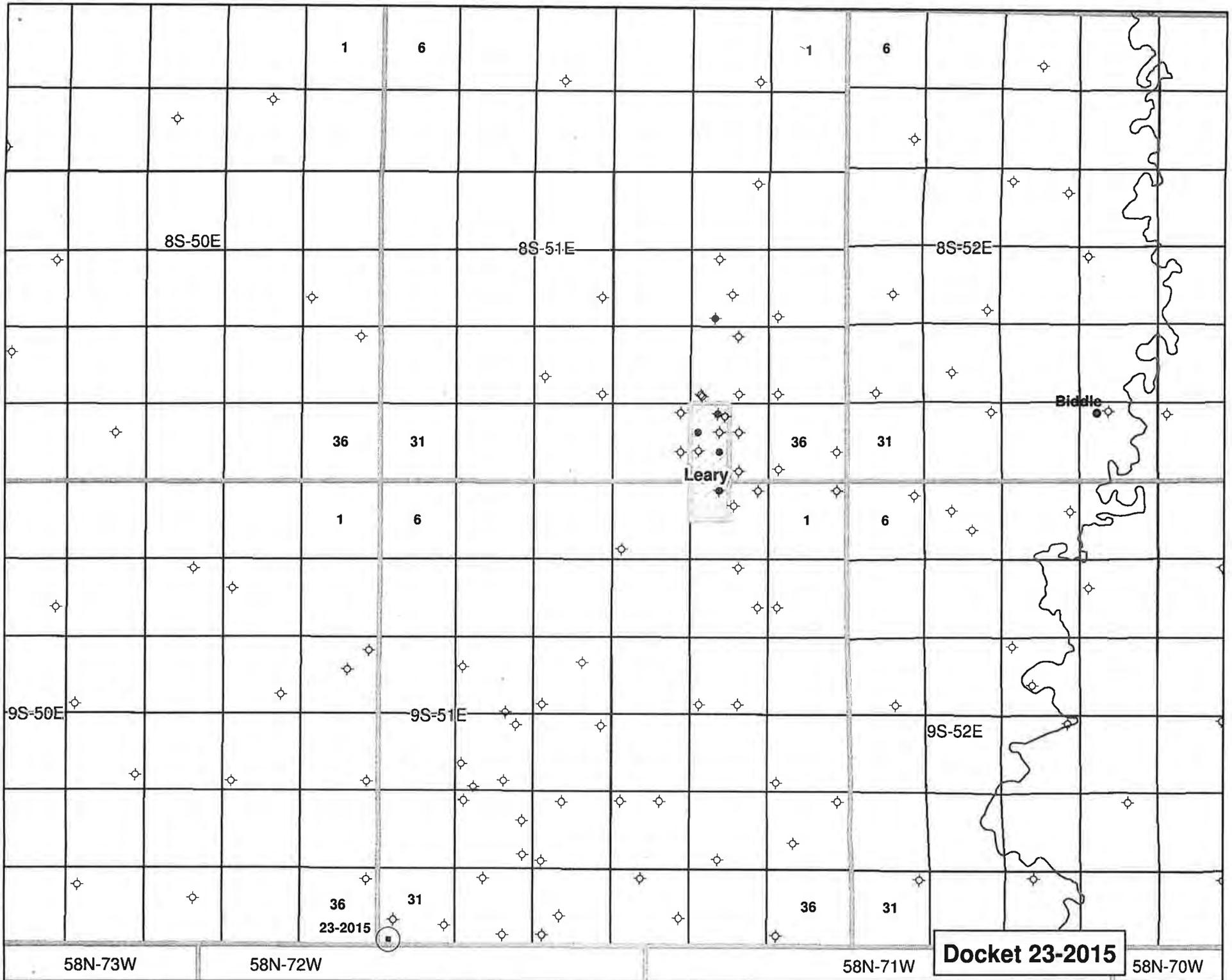


Docket 19-2015

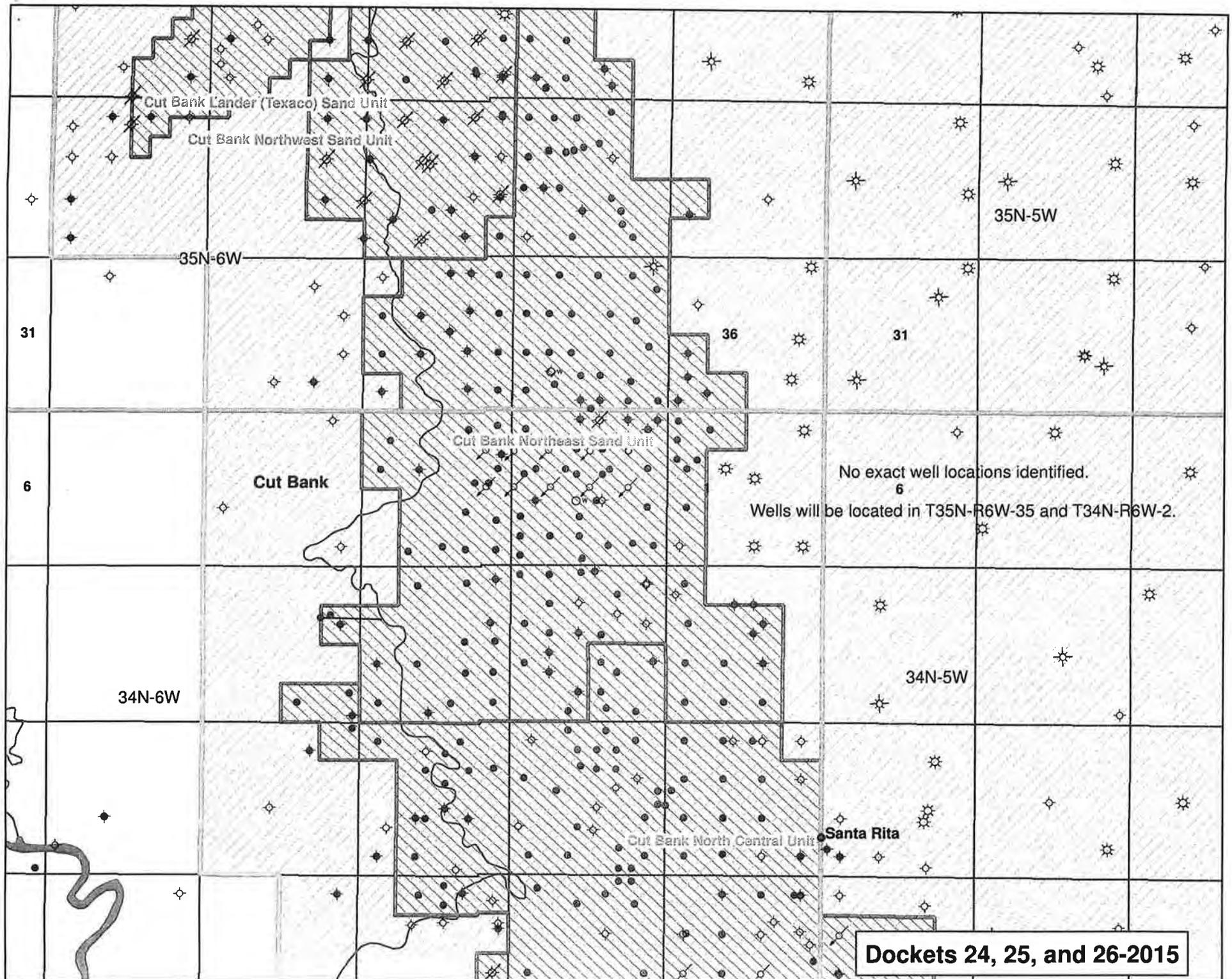


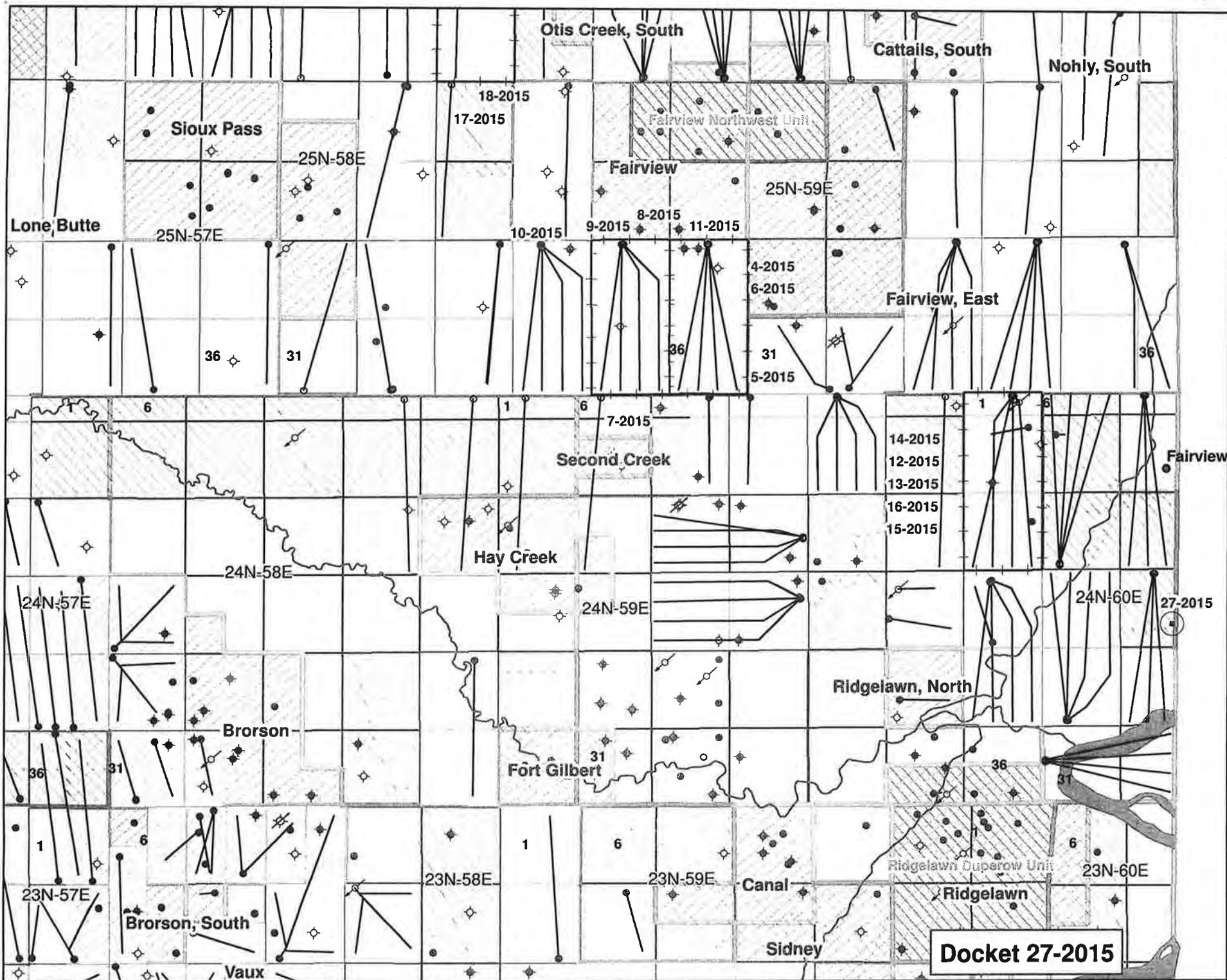


Dockets 21, 22-2015



25-2015	Synergy Offshore LLC	Class II UIC Permit, Enhanced Recovery, Cut Bank Sand Formation, 35N-6W-35: SE NW SE, P635B (New well.)	Default		<input type="checkbox"/>
26-2015	Synergy Offshore LLC	Class II UIC Permit, Enhanced Recovery, Cut Bank Sand Formation, 34N-6W-2: NE NW NE, R602 (New well.)	Default		<input type="checkbox"/>
27-2015	Landtech Enterprises, LLC	Class II saltwater disposal permit, Dakota Formation, Gable #1 SWD, 24N-60E-20: 1563' FSL/ 250' FEL (New well)	Continued		<input type="checkbox"/>
28-2015 4-2015 F	Oasis Petroleum North America LLC	Permanent spacing unit, Bakken/Three Forks Formation, 27N-59E-25: all, 26: all, 35: all, 36: all (Reveille Federal 2759 14-26H).		<i>Related to Omimex protest. Currently permanently spaced, application in case Omimex app is granted vacating order 44-2014.</i>	<input type="checkbox"/>
29-2015	Continental Resources Inc	Vacate order 157-2009, Bakken/Three Forks Formation, 25N-55E-29: all, 30: all, 31: all, 32: all (Condition of approval for order 356-2014). Default request.	Default	<i>Order 356-2014 created TSU in 25N-55E-29: all, 32: all</i>	<input type="checkbox"/>
30-2015	Continental Resources Inc	Pool, permanent spacing unit, Bakken/Three Forks Formation, 23N-54E-13: all, 24: all (Snow 2-13H & Snow 3-13H). Non-consent penalties requested.		<i>PSU: Order 139-2014 Additional wells: Order 141-2014</i>	<input type="checkbox"/>
31-2015	Continental Resources Inc	Permanent spacing unit, Red River Formation, 25N-55E-8: S/2, 17: N/2 (Stanley 1-17 HR).		<i>Statewide TSU. Related applications 31-2015, 32-2015</i>	<input type="checkbox"/>
32-2015	Continental Resources Inc	Pool, permanent spacing unit, Red River Formation, 25N-55E-8: S/2, 17: N/2 (Stanley 1-17 HR). Non-consent penalties requested.		<i>Related applications 31-2015, 32-2015</i>	<input type="checkbox"/>
33-2015	Continental Resources Inc	Overlapping temporary spacing unit, Bakken/Three Forks Formation, 27N-53E-33: all, 26N-53E-4: all, 9: all, 16: all 200' heel/toe setback, 500' setback from common boundary, 660' setback to exterior boundary of spacing unit. Default request.	Protested	<i>4 section long stand up spacing unit would be created. PSU, 26N-53E-4 & 27N-53E-33 - Order 273-2013 PSU, 26N-53E-9 & 16 - Order 271-2013 Protest - BLM</i>	<input checked="" type="checkbox"/>
302-2014	Cline Production Company	Class II saltwater disposal permit, Amsden Formation, Jackson Coulee Fed #2, 15N-30E-26: 600' FSL/330' FEL (SE/4SE/4), API #033-21138.	Default		<input type="checkbox"/>
316-2014	SM Energy Company	Temporary spacing unit, Bakken/Three Forks Formation, 26N-59E-26: all, 27: all, authorization for three horizontal wells, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of successful completion. Operations must commence within one year of date of order. [Denied at December hearing, rehearing requested.]		<i>Orphan tract likely - Section 25.</i>	<input type="checkbox"/>
342-2014	Denbury Onshore, LLC	Class II Injection permit modification, expand injection zone to include Lodgepole, Unit 22-15CCH (API# 025-05718) 6N-60E-15	Default		<input type="checkbox"/>
343-2014	Denbury Onshore, LLC	Class II Injection permit modification, expand injection zone to include Lodgepole, Unit 22-09 (API# 025-05148) 6N-60E-9	Default		<input type="checkbox"/>





Docket 27-2015

Otis Creek, South

Cattails, South

Nohly, South

Sioux Pass

18-2015

17-2015

Fairview Northwest Unit

Fairview

25N-59E

Lone Butte

25N-58E

25N-57E

10-2015

9-2015

8-2015

11-2015

4-2015

6-2015

Fairview, East

36

31

36

31

5-2015

36

7-2015

Second Creek

14-2015

12-2015

13-2015

16-2015

15-2015

Fairview

24N-58E

Hay Creek

24N-57E

24N-59E

24N-60E

27-2015

Brorson

Fort Gilbert

Ridgelawn, North

36

31

31

36

31

23N-57E

Brorson, South

23N-58E

1

6

23N-59E

Canal

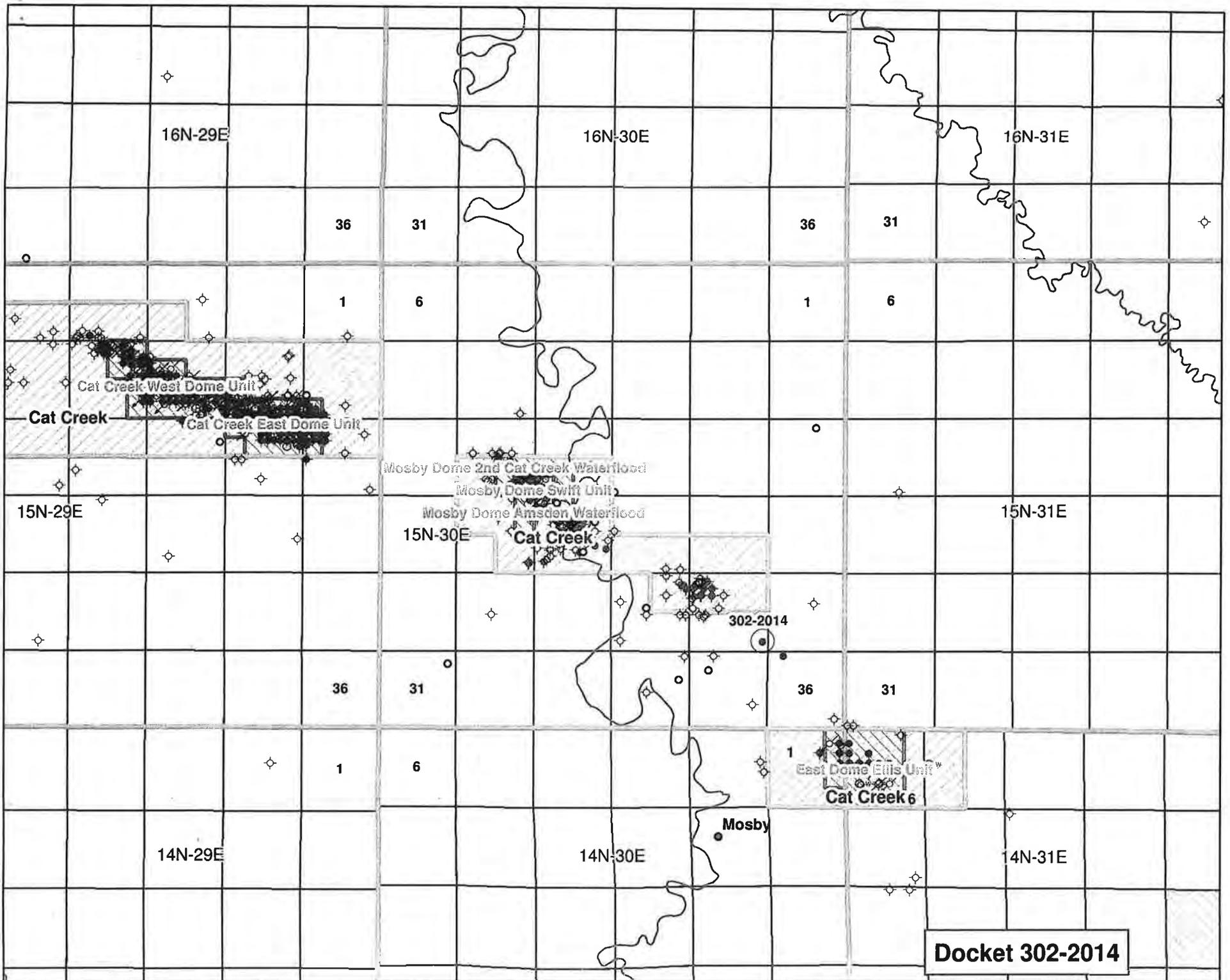
Ridgelawn Duperow Unit

Ridgelawn

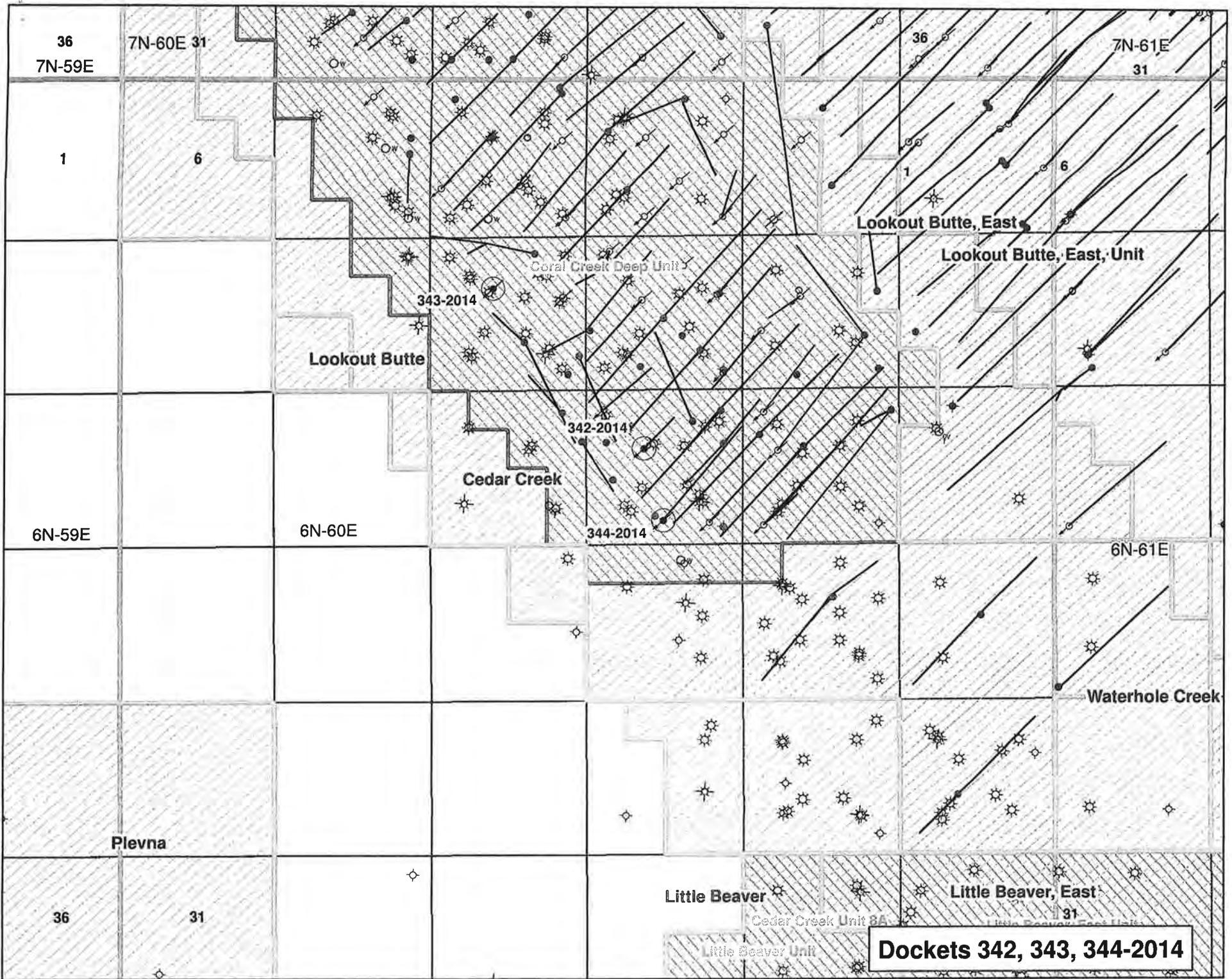
23N-60E

Sidney

Vaux



Docket 302-2014



Dockets 342, 343, 344-2014

344-2014	Denbury Onshore, LLC	Class II Injection permit modification, expand injection zone to include Lodgepole, Unit 24XX-15CCH (API# 025-22521) 6N-60E-15	Default		<input type="checkbox"/>
349-2014	Oasis Petroleum North America LLC	Overlapping temporary spacing unit, Bakken/Three Forks Formation, 29N-58E-26: all, 27: all, 34: all, 35: all, 200' heel/toe setback for 3 wells proximal to common boundary between existing spacing units. Default request.	Continued	27 & 34 - PSU, Order 356-2012; 26 & 35 - PSU, Order 442-2012 Multiple Wells - BOGC NOTICE ERROR - CORRECT FOR FEB. Continued to April, ltr dated 2/17/15.	<input checked="" type="checkbox"/>
352-2014	Oasis Petroleum North America LLC	Pool, permanent spacing unit, Bakken/Three Forks Formation, 27N-59E-25: all, 26: all, 35: all, 36: all (Reveille Federal 2759 14-26H). Non-consent penalties requested. [Continued from December 4, 2014 hearing]		PSU: Order 44-2014 Protest by Omimex. Related applications 361-2014 (Omimex), 28-2015.	<input type="checkbox"/>
353-2014	Oasis Petroleum North America LLC	Class II saltwater disposal permit, Dakota Formation, Romo Brothers SWD 2759 22-8, 27N-59E-8: 2417' FNL/ 1499' FWL (SE/4NW/4)	Default		<input type="checkbox"/>
355-2014	XTO Energy Inc.	Amend Order 147-2009 to allow 660' lateral, 200' heel/toe setbacks in permanent spacing unit, Bakken/Three Forks Formation, 22N-59E-9: all, 16: all. Default request.	Default	PSU: Order 262-2006 Additional well: Order147-2009 (660' setbacks) TLMD ltr of support	<input type="checkbox"/>
356-2014	XTO Energy Inc.	Amend Order 149-2009 to allow 500' lateral, 200' heel/toe setbacks in permanent spacing unit, Bakken/Three Forks Formation, 22N-59E-12: S/2, 13: all. Default request.		PSU: Order 485-2005 Additional well: Order149-2009 (660' setbacks) 500' setback in Elm Coulee?	<input checked="" type="checkbox"/>
359-2014	Continental Resources Inc	Permanent spacing unit, Bakken/Three Forks Formation, 25N-53E-28: all, 29: all, 32: all, 33: all (BR-Carda 1-29HSL).		TSU: Order 59-2009 Related applications 359-2014, 360-2014.	<input type="checkbox"/>
360-2014	Continental Resources Inc	Pool, permanent spacing unit, Bakken/Three Forks Formation, 25N-53E-28: all, 29: all, 32: all, 33: all (BR-Carda 1-29HSL). Non-consent penalties requested.		Related applications 359-2014, 360-2014.	<input type="checkbox"/>
361-2014	Omimex Canada, Ltd.	Vacate and rescind orders 44-2014, 45-2014, and 46-2014 and BLM orders 25-2012 Fed, 1-2014 Fed, and 2-2014 Fed. [Continued from December 4, 2014 hearing].		PSU, Order 44-2014: 27N-59E-25: all, 26: all, 35: all, 36: all Pooling, Order 45-2014, increased density, Order 46-2014 Related applications 352-2014, 28-2015 (Oasis)	<input type="checkbox"/>
34-2015	Cavalier Petroleum	Show Cause: failure to file production reports and pay penalty for delinquent reporting.			<input type="checkbox"/>
35-2015	Statoil Oil & Gas LP	Show Cause: failure to file injection reports and pay penalty for delinquent reporting.			<input type="checkbox"/>
338-2014	K2 America Corporation	Show Cause: why shouldn't P&A wells, failure to file production reports and pay penalty for delinquent reporting, failure to appear at December 4, 2014 hearing. (Continued from December 2014 hearing).			<input type="checkbox"/>

339-2014 P&P Industries LLC 1	Show cause: bond forfeiture; failure to file production reports and pay administrative fees, failure to appear at the October & December hearings. (Continued from December 2014 hearing).	<input type="checkbox"/>
362-2014 Wexco Exploration, LLC	Show-cause: why shouldn't P&A Guenther 2-8 well, failure to file correct production reports, failure to appear at December 4, 2014 hearing. (Continued from December hearing).	<input type="checkbox"/>

ALL APPLICATIONS, 2/26/2015

(In Order of Publication)

Docket	Applicant	Status	Request
1-2015	Bensun Energy, LLC		Spacing
2-2015	Interstate Explorations, LLC	Continued	Spacing
3-2015	Interstate Explorations, LLC	Continued	Pooling
4-2015	Whiting Oil and Gas Corporation		Pooling
5-2015	Whiting Oil and Gas Corporation		Pooling
6-2015	Whiting Oil and Gas Corporation		Pooling
7-2015	Whiting Oil and Gas Corporation		Spacing
8-2015	Whiting Oil and Gas Corporation		Pooling
9-2015	Whiting Oil and Gas Corporation		Pooling
10-2015	Whiting Oil and Gas Corporation		Pooling
11-2015	Whiting Oil and Gas Corporation		Pooling
12-2015	Whiting Oil and Gas Corporation		Spacing
13-2015	Whiting Oil and Gas Corporation		Pooling
14-2015	Whiting Oil and Gas Corporation		Pooling
15-2015	Whiting Oil and Gas Corporation		Pooling
16-2015	Whiting Oil and Gas Corporation		Pooling
17-2015	True Oil LLC	Protested	Spacing
18-2015	True Oil LLC	Protested	Pooling
19-2015	Denbury Onshore, LLC	Default	Class II Permit
20-2015	Denbury Onshore, LLC	Default	Class II Permit
21-2015	Brown, J. Burns Operating Company		Spacing
22-2015	Brown, J. Burns Operating Company		Pooling
23-2015	BTA Oil Producers, LLC	Default	Exception - Drilling
24-2015	Synergy Offshore LLC	Default	Class II Permit
25-2015	Synergy Offshore LLC	Default	Class II Permit
26-2015	Synergy Offshore LLC	Default	Class II Permit
27-2015	Landtech Enterprises, LLC	Continued	Class II Permit
28-2015	Oasis Petroleum North America LLC	Protest ??	Spacing
29-2015	Continental Resources Inc	Default	Vacate Field/Rule
30-2015	Continental Resources Inc		Pooling
31-2015	Continental Resources Inc		Spacing
32-2015	Continental Resources Inc		Pooling
33-2015	Continental Resources Inc	Protested	Temp. Spacing
302-2014	Cline Production Company	Default	Class II Permit
316-2014	SM Energy Company		Temp. Spacing
342-2014	Denbury Onshore, LLC	Default	Class II Permit
343-2014	Denbury Onshore, LLC	Default	Class II Permit
344-2014	Denbury Onshore, LLC	Default	Class II Permit
349-2014	Oasis Petroleum North America LLC	Continued	Temp. Spacing
352-2014	Oasis Petroleum North America LLC	Protested	Pooling
353-2014	Oasis Petroleum North America LLC	Default	Class II Permit
355-2014	XTO Energy Inc.	Default	Spacing Amendment
356-2014	XTO Energy Inc.		Spacing Amendment

359-2014	Continental Resources Inc		Spacing
360-2014	Continental Resources Inc		Pooling
361-2014	Omimex Canada, Ltd.	Protested	Vacate Field/Rule
338-2014	K2 America Corporation		Show-Cause
339-2014	P&P Industries LLC 1		Show-Cause
362-2014	Wexco Exploration, LLC		Show-Cause
34-2015	Cavalier Petroleum		Show-Cause
35-2015	Statoil Oil & Gas LP	Dismissed	Show-Cause

APPLICATIONS TO HEAR, 2/26/2015

(In Order of Hearing)

Docket	Applicant	Status	Request
1-2015	Bensun Energy, LLC		Spacing
4-2015	Whiting Oil and Gas Corporation		Pooling
5-2015	Whiting Oil and Gas Corporation		Pooling
6-2015	Whiting Oil and Gas Corporation		Pooling
7-2015	Whiting Oil and Gas Corporation		Spacing
8-2015	Whiting Oil and Gas Corporation		Pooling
9-2015	Whiting Oil and Gas Corporation		Pooling
10-2015	Whiting Oil and Gas Corporation		Pooling
11-2015	Whiting Oil and Gas Corporation		Pooling
12-2015	Whiting Oil and Gas Corporation		Spacing
13-2015	Whiting Oil and Gas Corporation		Pooling
14-2015	Whiting Oil and Gas Corporation		Pooling
15-2015	Whiting Oil and Gas Corporation		Pooling
16-2015	Whiting Oil and Gas Corporation		Pooling
17-2015	True Oil LLC	Protested	Spacing
18-2015	True Oil LLC	Protested	Pooling
21-2015	Brown, J. Burns Operating Company		Spacing
22-2015	Brown, J. Burns Operating Company		Pooling
30-2015	Continental Resources Inc		Pooling
31-2015	Continental Resources Inc		Spacing
32-2015	Continental Resources Inc		Pooling
33-2015	Continental Resources Inc	Protested	Temp. Spacing
359-2014	Continental Resources Inc		Spacing
360-2014	Continental Resources Inc		Pooling
316-2014	SM Energy Company		Temp. Spacing
356-2014	XTO Energy Inc.		Spacing Amendment
352-2014	Oasis Petroleum North America LLC	Protested	Pooling
361-2014	Omimex Canada, Ltd.	Protested	Vacate Field/Rule
28-2015	Oasis Petroleum North America LLC	Protest ??	Spacing
338-2014	K2 America Corporation		Show-Cause
339-2014	P&P Industries LLC 1		Show-Cause
362-2014	Wexco Exploration, LLC		Show-Cause
34-2015	Cavalier Petroleum		Show-Cause

GAS FLARING

February 25, 2015

Company	Wells Flaring over 100	Wells Flaring over 100 w/o Exception	Current Exceptions (over 100)	Exception Requests	Wells over 100 Hooked to Pipeline
Continental	10	7	3	7	6
EOG Resources	4	4	0	4	2
Kraken	2	1	1	1	0
Oasis Petroleum	4	3	1	3	1
Petro-Hunt	4	3	1	3	1
Statoil	1	0	1	0	0
Whiting	21	13	8	13	7
Totals	46	31	15	31	17

Flaring Request

Summary

There are 46 wells flaring over 100 MCF/D based our current production numbers. This is up from 26 wells at the last business meeting. This is due to new well completions toward the end of 2014, as well as increasing compression and gas plant capacity issues. There are also an increased number of pipeline issues this time of year due to weather. It is anticipated that this number will quickly fall throughout the year as capacity issues are resolved, more wells are connected, and completion activity declines due to falling oil prices.

15 of the 46 have approved exceptions due to distance, pipeline access issues, or time to connection.

There are 31 exceptions requested at this time. Of the 31, 19 are due to pipeline/gas plant capacity issues, 5 are related to ROW issues, 4 are deemed uneconomic to connect due to distance from gathering system, and 3 are still trying to be worked out with a pipeline company.

Continental

Scottsman 1-30H – API # 25-085-21911, 28N-57E-30

1. Flaring 133 MCF/D. First exception request.
2. Completed 10/2013.
3. Well was connected to pipeline 5/16/2014.
4. Estimated gas reserves: 162 MMCF EUR.
5. Flaring alternatives: None.
6. Amount of gas used in lease operations: 15.5 MCF/D
7. Justification to flare: Current issues revolve around line pressure due to plant capacity and various re-routes of lines for compression.

Foxx 1-6H – API # 25-085-21913, 29N-59E-6

1. Flaring 142 MCF/D. First exception request.
2. Completed 7/2013. Not connected, but under limit until end of 2014.
3. Estimated gas reserves: 147 MMCF EUR.
4. Proximity to market: 4300 ft to pipeline.
5. Estimated discounted payout: 8 years with ROR of 0%.
6. Estimated cost of marketing the gas: \$185,000.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 15.5 MCF/D.
9. Justification to flare: Working with Oneok to review possibility to run sales line. Hope to have resolved within 60 days.

Jar 1-28H – API # 25-085-21910, 28N-57E-28

1. Flaring 256 MCF/D. First exception request.
2. Completed 12/2013.

3. Well was connected to pipeline 4/23/2014.
4. Estimated gas reserves: 581 MMCF EUR.
5. Flaring alternatives: None.
6. Amount of gas used in lease operations: 8 MCF/D.
7. Justification to flare: Flows to Oneok Grasslands Plant which is running close to capacity. Oneok has area on a 60 day "rolling blackout" schedule. Flaring will occasionally be needed until rolling blackout is lifted.

David HSL – API # 25-083-23197, 25N-55E-17

1. Flaring 155 MCF/D. First exception request.
2. Completed 6/2014.
3. Well was connected to pipeline 6/27/2014.
4. Estimated gas reserves: 224 MMCF EUR.
5. Flaring alternatives: None.
6. Amount of gas used in lease operations: 7.75 MCF/D.
7. Justification to flare: Current issues revolve around line pressure due to plant capacity and various re-routes of lines for compression.

Langdon 1-19H – API # 25-085-21896, 29N-59E-19

1. Flaring 129 MCF/D. First exception request expired 2/13/15.
2. Completed 2/2013. Occasionally over the limit.
3. Estimated gas reserves: 196 MMCF EUR.
4. Proximity to market: 1.5 miles to pipeline.
5. Estimated discounted payout: Working on economics.
6. Estimated cost of marketing the gas: \$439,000.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 37.7 MCF/D.
9. Justification to flare: Working with Oneok to review possibility to run sales line. Hope to have resolved within 60 days.

Gehringer 1-13H – API # 25-085-21918, 28N-58E-13

1. Flaring 115 MCF/D. First exception request expired 2/13/15.
2. Completed 3/2014.
3. Well was connected to pipeline 6/26/2014.
4. Estimated gas reserves: 184 MMCF EUR.
5. Flaring alternatives: None.
6. Amount of gas used in lease operations: 8 MCF/D.
7. Justification to flare: Current issues revolve around line pressure due to plant capacity and various re-routes of lines for compression.

Mabel 1-14H – API # 25-083-23138, 26N-56E-14

1. Flaring 113 MCF/D. First exception request expired 2/13/15.
2. Completed 8/2013.
3. Estimated gas reserves: 271 MMCF EUR.
4. Proximity to market: >6.5 miles.
5. Estimated discounted payout: Working on economics.

6. Estimated cost of marketing the gas: >\$800,000.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 32.1 MCF/D.
9. Justification to flare: Connection dependent on the Herness 1-15H and Lewis 1-13H wells being connected. Hope to have resolved within 60 days.

EOG Resources

Stateline 12-2932H – API # 25-085-21847, 28N-59E-29

1. Flaring 130 MCF/D. Exception expired 6/11/2014.
2. Estimated gas reserves: 422 MMCF.
3. Well was connected to pipeline 4/30/2014.
4. Estimated gas price at nearest market: \$3.02/MCF.
5. Estimated cost of marketing the gas: \$0.51/MCF.
6. Flaring alternatives: At this time it would not be feasible to reinject due to the low volumes being produced.
7. Amount of gas used in lease operations: 5 MCF/D.
8. Justification to flare: Oneok has SI Bainville Compressor. Current pipeline capacity prevents continuous sale of produced gas.

Ruffatto 3-3031H – API # 25-083-22862, 26N-53E-31

1. Flaring 140 MCF/D. First exception request.
2. Estimated gas reserves: 243 MMCF.
3. Well was connected to pipeline 2/4/2011.
4. Estimated gas price at nearest market: \$3.02/MCF.
5. Estimated cost of marketing the gas: \$0.51/MCF.
6. Flaring alternatives: At this time it would not be feasible to reinject due to the low volumes being produced.
7. Amount of gas used in lease operations: 5 MCF/D.
8. Justification to flare: Oneok has SI Charlie Creek Compressor. Current pipeline capacity prevents continuous sale of produced gas.

Highline 1-2833H – API # 25-085-21847, 29N-59E-28

1. Flaring 123 MCF/D. Completed 6/8/2012. First exception request – under limit until end of last year
2. Estimated gas reserves: 195 MMCF.
3. Proximity to market: 0.75 miles to pipeline.
4. Estimated gas price at nearest market: \$3.02/MCF.
5. Estimated cost of marketing the gas: \$0.51/MCF.
6. Flaring alternatives: At this time it would not be feasible to reinject due to the low volumes being produced.
7. Amount of gas used in lease operations: 5 MCF/D.
8. Justification to flare: Oneok has been unable to obtain a ROW.

Highline 2-0904H – API # 25-085-21866, 28N-59E-9

1. Flaring 139 MCF/D. Completed 1/29/2013. Third exception request.

2. Estimated gas reserves: 700 MMCF.
3. Proximity to market: 0.5 miles to pipeline.
4. Estimated gas price at nearest market: \$3.02/MCF.
5. Estimated cost of marketing the gas: \$0.51/MCF.
6. Flaring alternatives: At this time it would not be feasible to reinject due to the low volumes being produced.
7. Amount of gas used in lease operations: 5 MCF/D.
8. Justification to flare: Oneok has been unable to obtain a ROW.

Kraken

Clyde & Alma 24 #1H – API # 25-083-23173, 26N-51E-24

1. Flaring 115 MCF/D. First exception request expired 11/1/14.
2. Completed: 9/2013.
3. Estimated gas reserves: 60 MMCF.
4. Proximity to market: 12.5 miles.
5. Estimated discounted payout: Would require 758 MMCF recoverable gas to payout.
6. Estimated cost of marketing the gas: \$2,275,000.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 10 MCF/D.
9. Justification to flare: Due to limited reserves, high cost and uneconomic nature of gas gathering line construction, and the likelihood the well will be below 100 MCFD in coming months, exception requested.

Oasis

Poppy Federal 2658 12-17H – API # 25-083-23240, 26N-58E-17

1. Flaring 300 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 256 MMCF.
4. Proximity to market: <1 mile.
5. Estimated gas price at market: ~\$4,00/MCF at the wellhead.
6. Estimated cost of marketing the gas: None as Oneok is to construct gathering line.
7. Flaring alternatives: None.
8. Justification to flare: Well is dedicated to Oneok. Oneok has requested ROW from BLM, and upon BLM approval, they will make the connection.

Carson Federal 2658 13-17H – API # 25-083-23239, 26N-58E-17

1. Flaring 300 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 212 MMCF.
4. Proximity to market: <1 mile.
5. Estimated gas price at market: ~\$4,00/MCF at the wellhead.
6. Estimated cost of marketing the gas: None as Oneok is to construct gathering line.
7. Flaring alternatives: None.

8. Justification to flare: Well is dedicated to Oneok. Oneok has requested ROW from BLM, and upon BLM approval, they will make the connection.

Daisy May 2758 31-28H – API # 25-085-21940, 27N-58E-28

1. Flaring 116 MCF/D. First exception request expired 2/13/15.
2. Completed: 4/2014.
3. Estimated gas reserves: 206 MMCF.
4. Proximity to market: 4 miles.
5. Estimated gas price at market: ~\$4,00/MCF at the wellhead.
6. Estimated cost of marketing the gas: None as Hiland is to construct gathering line.
7. Flaring alternatives: None.
8. Justification to flare: Well is dedicated to Hiland. Waiting on completion of assignment of ROW agreement to be finalized. Once this is done Hiland will promptly connect well.

Petro-Hunt

Borntrager 2C-2-1 – API # 25-021-21193, 19N-54E-2

1. Flaring 249 MCF/D. Third exception request, last one was for year. Requesting permanent exception.
2. Completed: 9/2012.
3. Estimated gas reserves: Still in exploration phase in area and extended testing needed to forecast any potential gas reserves.
4. Proximity to market: >25 miles.
5. Estimated gas price at market: ~\$3/MCF.
6. Estimated cost of marketing the gas: \$3,200,000 with payout in 11.5 years.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 20-30 MCFD.
9. Justification to flare: Area has not been developed enough to provide access to the gas market in an economic and feasible manner. When this access becomes more readily available the subject can be reviewed again.

Boje Farms 19-54 17D-20-1H – API # 25-021-21184, 19N-54E-17

1. Flaring 149 MCF/D. Third exception request, last one was for year. Requesting permanent exception.
2. Completed: 3/2011.
3. Estimated gas reserves: Still in exploration phase in area and extended testing needed to forecast any potential gas reserves.
4. Proximity to market: >25 miles.
5. Estimated gas price at market: ~\$3/MCF.
6. Estimated cost of marketing the gas: \$3,200,000 with payout in 19.5 years.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 10-15 MCFD.
9. Justification to flare: Area has not been developed enough to provide access to the gas market in an economic and feasible manner. When this access becomes more readily available the subject can be reviewed again.

Walter Senner 19-54 18D-2-1 – API # 25-021-21192, 19N-54E-18

1. Flaring 149 MCF/D. Third exception request, last one was for year. Requesting permanent exception.
2. Completed: 9/2012.
3. Estimated gas reserves: Still in exploration phase in area and extended testing needed to forecast any potential gas reserves.
4. Proximity to market: >25 miles.
5. Estimated gas price at market: ~\$3/MCF.
6. Estimated cost of marketing the gas: \$3,200,000 with payout in 19.5 years.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 10-15 MCFD.
9. Justification to flare: Area has not been developed enough to provide access to the gas market in an economic and feasible manner. When this access becomes more readily available the subject can be reviewed again.

Whiting

Young 31-1-1H – API # 25-083-23261, 24N-59E-1

1. Flaring 229 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 6-7 miles to Hilands; 1.5-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Young 31-1-2H – API # 25-083-23282, 24N-59E-1

1. Flaring 165 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR
4. Proximity to market: 6-7 miles to Hilands; 1.5-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Young 31-1-3H – API # 25-083-23272, 24N-59E-1

1. Flaring 114 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 6-7 miles to Hilands; 1.5-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.

6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Young 31-1-4H – API # 25-083-23273, 24N-59E-1

1. Flaring 289 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 6-7 miles to Hilands; 1.5-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Sundheim 21-27-2H – API # 25-083-23214, 25N-58E-27

1. Flaring 122 MCF/D. First exception request.
2. Completed: 7/2014.
3. Connected to gathering system 7/18/2014.
4. Estimated gas reserves: 198 MMCF EUR.
5. Flaring alternatives: None.
6. Justification to flare: Current issues revolve around line pressure due to plant capacity and various re-routes of lines for compression.

Hunter 21-26-1H – API # 25-083-23258, 25N-58E-26

1. Flaring 314 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 8-9 miles to Hilands; 1-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Hunter 21-26-2H – API # 25-083-23274, 25N-58E-26

1. Flaring 440 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 8-9 miles to Hilands; 1-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Hunter 21-26-3H – API # 25-083-23275, 25N-58E-26

1. Flaring 385 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 8-9 miles to Hilands; 1-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Hunter 21-26-4H – API # 25-083-23276, 25N-58E-26

1. Flaring 318 MCF/D. First exception request.
2. Completed: 11/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 8-9 miles to Hilands; 1-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Weber Federal 24-30-2H – API # 25-083-23243, 24N-60E-30

1. Flaring 187 MCF/D. First exception request.
2. Completed: 9/2014.
3. Well was connected to pipeline 7/4/2013.
4. Estimated gas reserves: 198 MMCF EUR.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Weber Federal 24-30-3H – API # 25-083-23244, 24N-60E-30

1. Flaring 125 MCF/D. First exception request.
2. Completed: 9/2014.
3. Well was connected to pipeline 7/4/2013.
4. Estimated gas reserves: 198 MMCF EUR.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Weber Federal 24-30-4H – API # 25-083-23242, 24N-60E-30

1. Flaring 175 MCF/D. First exception request.
2. Completed: 9/2014.
3. Well was connected to pipeline 7/4/2013.

4. Estimated gas reserves: 198 MMCF EUR.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Skov 31-28-3H – API # 25-083-23200, 25N-59E-28

1. Flaring 115 MCF/D. First exception request expired 2/13/15
2. Completed: 3/2014.
3. Estimated gas reserves: 198 MMCF EUR.
4. Proximity to market: 8-9 miles to Hilands; 1-2 miles to Oneok system.
5. Flaring alternatives: Doing cost evaluation on gas recapture unit for pad.
6. Justification to flare: Hilands system is too far to be economic. Oneok's gathering system in area down until spring/summer due to rolling compression shut downs. Also, capacity issues when system is up at Grasslands plant. Oneok has plan to alleviate some capacity issues, but will not be in service until 2016 if project completed.

Request for Show-Cause

Kelly Oil and Gas LLC Board Business Meeting February 25th, 2015

Field Violations at the Dybvik KV 1 well and the Stensvad 2X-25 well, Mussleshell County, Montana

- There is oil in a pit at the Dybvik KV 1
 - There is oil around the base of the treater at the Stensvad 2X-25
 - Improper operator signage at the Dybvik KV 1 and Stensvad 2X-25
1. A letter was sent on September 25th, 2014 regarding these issues.
 2. A certified letter was sent on January 15th, 2015 informing Kelly Oil and Gas that they would be discussed at the board meeting on February 25th, 2015. The letter was returned undeliverable on February 17, 2015.

There has been a history of noncompliance with these locations. The most previous inspection was conducted on February 13, 2015.

Page 1: Inspection Status Report
Page 2: Enforcement Status Report
Page 3-4: Bond Summary
Page 5: Copy of returned Certified Letter

Inspection Status Report

Roundup

Run Date: 2/24/2015

Page 1 of 1

Operator Name	Well Name and Number	API Well No.	Location	UIC Permit
Kelly Oil and Gas LLC	Stensvad 2X-25	25-065-21376-00-00	SI OIL 11 N 30 E 25 NW NE	
<input checked="" type="checkbox"/> Failure <input checked="" type="checkbox"/> Violation	iNL00022620	Inspector: JF	Inspection Date: 5/21/2014	Compl. Required: 7/9/2014
SLOW. Oil covered water behind tank inside of tank berm. Unknown source of -1560 Spill oil, 10 gallons possibly. Remove.				Extended To:
8/7/2014 JF SLOW. Free oil covering inside of berm around treater. Oil stained dirt and vegetation south of treater. Approximately 4 BO. No ID sign.				Dt_Referral: 12/4/2014
12/4/2014 JF SLOW. Oil remains around treater. Operator fenced around berm. No further clean-up done.				Compl. Reported:
2/13/2015 JF Inspection pre John Gizicki. Treater base surrounded by oil. No attempt to clean up since original deficiency. Tubing string and numerous rods on location. Pipe racks and open topped tank left. Improper operator signage on location.				
Kelly Oil and Gas LLC	Dybvik KV 1	25-065-21627-00-00	SI OIL 10 N 27 E 18 SE NW	
<input checked="" type="checkbox"/> Failure <input checked="" type="checkbox"/> Violation	iUNK0004266	Inspector: JF	Inspection Date: 7/31/2014	Compl. Required: 9/18/2014
Oil in pit. Oil in tank battery in berm. No ID sign. 2nd notice. Previous violation cleaned up. This is a new one.				Extended To:
2/14/2015 JF Inspection per John Gizicki. Location has misc equipment stored including pump truck, 55 bbl frac tank, surplus wood sills, tubing and pipe racks. Hose from frac tank to pit with oil stain at pit end. Pit not cleaned properly since original deficiency. Improper operator signage on location.				Dt_Referral: 12/4/2014
				Compl. Reported:

Enforcement Status Report

Run Date: 2/18/2015

Page 1 of 1

Kelly Oil and Gas LLC**Action Date:** 9/25/2014**Closed:****Enforcement Items:**

Well Identification / Signage

Housekeeping

Stensvad 2X-25 amd Dybvik KV 1

Stensvad 2X-25 oil material on location, free oil, veg.

Action:

Other

Letter, Certified

Letter

2/17/2015 Certified letter returned undeliverable

1/15/2015 Certified letter sent to operator

9/25/2014 Letter sent to operator

Comment: Weeds, oil material, well sign.

Plugging and Reclamation Bonds With Well List

KELLY OIL AND GAS LLC		645	Bond: F1	\$1.00	Federal	Active	Wells: 1	Allowed:		
Other Bond	Active	FEDERAL		\$1.00			Approved	12/5/2011		
API#	Operator	Well	Location			Field	TD	PBTD	Status	
065-05577	Kelly Oil and Gas LLC	Govt. 6-4	10 N	31 E	6 SW SW	554S 554W	Keg Coulee	4785	4768	SI OIL

Comment:

KELLY OIL AND GAS LLC		645	Bond: G1	\$5,000.00	Single Well Bond	Released	Wells: 0	Allowed: 1
Letter of Credit	Released	FIRST SECURITY BANK OF ROUNDUP		\$5,000.00			Approved	5/3/2010
							Released	10/1/2011

Comment: To cover the Dybvik-KV#1 well.

KELLY OIL AND GAS LLC		645	Bond: M1	\$50,000.00	Multiple Well Bond	Active	Wells: 15	Allowed:		
Letter of Credit	Active	FIRST SECURITY BANK OF ROUNDUP		\$50,000.00			Approved	10/4/2011		
API#	Operator	Well	Location			Field	TD	PBTD	Status	
025-21091	Kelly Oil and Gas LLC	State 6-36	5 N	60 E	36 NE SE NW	1475N 2065W	Cedar Creek	1457		SI GAS
025-21114	Kelly Oil and Gas LLC	State 11-36	5 N	60 E	36 C SW	1320S 1320W	Cedar Creek	1600		SI GAS
111-05177	Kelly Oil and Gas LLC	Horton 18 3	7 N	32 E	18 SE NE	1980N 660E	Wolf Springs	6185	6158	SI OIL
111-21152	Kelly Oil and Gas LLC	Horton A	7 N	32 E	18 SW NE	1980N 1980E	Wolf Springs	6168		SI OIL
065-21627	Kelly Oil and Gas LLC	Dybvik KV 1	10 N	27 E	18 SE NW	1985N 1857W	Big Wall	3202		SI OIL
065-05262	Kelly Oil and Gas LLC	Butts 4 (5-4)	10 N	30 E	1 NE SE	2086S 554E	Keg Coulee	4792		SI OIL
065-05270	Kelly Oil and Gas LLC	Butts 5-3 (3)	10 N	30 E	1 SE NE	1830N 660E	Keg Coulee	4782	4752	SI OIL
065-05275	Kelly Oil and Gas LLC	Butts 5-1 (1)	10 N	30 E	1 NE NE	660N 660E	Keg Coulee	4832		SI OIL
065-05585	Kelly Oil and Gas LLC	Butts 5-5 (5)	10 N	30 E	1 SE SE	660S 510E	Keg Coulee	4772	4733	SI OIL
065-05592	Kelly Oil and Gas LLC	Smith M #3	10 N	30 E	12 NE NE	660N 662E	Keg Coulee	4855		SI OIL
065-05460	Kelly Oil and Gas LLC	Shelhamer A-4	11 N	30 E	8 C SE SE	660S 660E	Ragged Point	3779		SI OIL
065-21376	Kelly Oil and Gas LLC	Stensvad 2X-25	11 N	30 E	25 NW NE	660N 2752E	Keg Coulee, North	4709	4666	SI OIL
065-21073	Kelly Oil and Gas LLC	WSW #1	11 N	30 E	36 SE NW SE	1950S 1760E	Keg Coulee	6478		PR WS
065-05285	Kelly Oil and Gas LLC	State E-1 (4-1)	11 N	30 E	36 SW SE	660S 2446E	Keg Coulee	4773	4730	SI OIL
065-05286	Kelly Oil and Gas LLC	State 2-2 (F-2)	11 N	30 E	36 SE SW	660S 1980W	Keg Coulee	4805	4764	SI OIL

Comment:

KELLY OIL AND GAS LLC		645	Bond: T1	\$10,000.00	UIC Single Well Bond	Active	Wells: 1	Allowed: 1		
Letter of Credit	Active	FIRST SECURITY BANK OF ROUNDUP		\$10,000.00			Approved	11/3/2011		
API#	Operator	Well	Location			Field	TD	PBTD	Status	
065-05478	Kelly Oil and Gas LLC	R. Shelhamer 1A	11 N	30 E	8 C NE SE	1980S 660E	Ragged Point	3702		SI EOR

Plugging and Reclamation Bonds With Well List

Comment: Bond covers the R Shelhamer 1A (065-05478)

KELLY OIL AND GAS LLC		645	Bond: T2	\$10,000.00	UIC Single Well Bond	Active	Wells: 1	Allowed: 1		
Letter of Credit	Active	FIRST SECURITY BANK OF ROUNDUP		\$10,000.00			Approved	11/3/2011		
API #	Operator	Well	Location		Field		TD	PBTD	Status	
065-05443	Kelly Oil and Gas LLC	State 1	11 N	30 E	16	NW NW 607N 609W	Ragged Point, Southwest	3850	3812	TA EOR

Comment: Bond covers the State 1 (065-05443)

KELLY OIL AND GAS LLC		645	Bond: T3	\$10,000.00	UIC Single Well Bond	Active	Wells: 1	Allowed: 1		
Letter of Credit	Active	FIRST SECURITY BANK OF ROUNDUP		\$10,000.00			Approved	11/3/2011		
API #	Operator	Well	Location		Field		TD	PBTD	Status	
065-05288	Kelly Oil and Gas LLC	State E-2	11 N	30 E	36	663S 973E	Keg Coulee	4803		TA EOR

Comment: Bond covers the State E 2 (065-05288)



DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION
OIL & GAS CONSERVATION DIVISION

STATE OF MONTANA

2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-4693



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Hasler

FIRST-CLASS MAIL

01/15/2015

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FEB 17 2015

MONTANA BOARD OF OIL &
GAS CONSERVATION • BILLINGS

Kelly Oil and Gas LLC
Box 171
Roundup, MT 59072

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02/10/15

RETURN TO SENDER
UNABLE TO FORWARD
UNABLE TO FORWARD
RETURN TO SENDER

590724119 0002



**MONTANA BOARD OF
OIL & GAS-HELENA**
BEFORE THE BUREAU OF LAND MANAGEMENT, MONTANA STATE OFFICE
UNITED STATES DEPARTMENT OF THE INTERIOR

AND

**BEFORE THE BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA**

<p>IN THE MATTER OF THE APPLICATION OF OMIMEX PETROLEUM, INC. FOR AN ORDER VACATING AND RESCINDING MBOGC ORDER NOS. 44-2014, 45-2014 AND 46-2014 AND BLM ORDER NOS. 25-2012 FED, 1-2014 FED AND 2-2014 FED</p>	<p align="center">MBOGC DOCKET NO. 361 - 2014 BLM DOCKET NO. 3 - 2015 FED POST HEARING BRIEF OF OMIMEX PETROLEUM, INC.</p>
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Omimex Petroleum, Inc. (“Omimex”) submits the following brief in support of its Application filed in the above captioned matter (“Omimex’s Application”), in opposition to Oasis Petroleum, Inc.’s (“Oasis”) Application filed in BLM Docket No. 0 and MBOGC Docket No. 352-2014, and as ordered by the Montana Board of Oil and Gas Conservation (the “Board”) at the December 4, 2014, hearing in Billings, Montana (the “Hearing”).

BACKGROUND

The Reveille Federal #2759 14-26H well (the “Well”) was completed as a horizontal well in a reservoir containing common accumulations of oil and associated natural gas in the Bakken/Three Forks formation. Board Order No. 176-2012 designated Sections 25, 26, 35 and 36, T27N-R59E, Roosevelt County, Montana (the “Subject Lands”), as the temporary spacing unit (the “Temporary Spacing Unit”) to drill the Well. The W½SW¼ of Section 25, T27N-R59E, are Indian trust lands (the “Indian Trust Lands”) and BLM Order No. 25-2012 FED approved the establishment of the Temporary Spacing Unit insofar as applicable to the Indian Trust Lands.

Oasis is the operator of the Well and an owner of interests in the oil and gas leasehold estates underlying the Subject Lands. Omimex is the owner of an undivided 50% interest in and to the oil and gas leasehold estate covering the W½SE¼ of Section 26 and the W½ of Section 35, T27N-R59E, Roosevelt County, Montana, from a depth of 9,686 feet to the center of the earth which lands are located within the Temporary Spacing Unit. Per Board records, the top of the Bakken formation is 10,854 feet.

By an "Election Letter" dated May 29, 2013 (the "Election Letter"), a copy of which is attached hereto as Exhibit "A" and by this reference incorporated herein, Oasis notified Omimex of its intent to drill the Well and outlined options for Omimex to participate or not participate in the Well. The Election Letter provided, amongst other things, that "[a]lthough you will have thirty (30) days from delivery of this letter to make your election, we would appreciate a quick response."

As evidenced by certain Board records attached hereto as Exhibit "B" and by this reference incorporated herein, the Well was spudded May 30, 2013, one day after the Election Letter was dated. According to the Completion Report filed by Oasis with the Board a copy of which is attached hereto as Exhibit "C" and by this reference incorporated herein, the Well was spudded on May 29, 2013, the same date the Election Letter was dated. As evidenced by the date stamp on the top right hand side of the Election Letter, Omimex did not receive it until June 13, 2013. The AFE accompanying the Election Letter, a copy of which is attached hereto as Exhibit "D" and by this reference incorporated herein (the "AFE"), was executed by the signatories thereto on June 11, 2013, which is evidence that the Election Letter was not mailed until on or after June 11, 2013. Curiously, the AFE indicated an estimated start date of July 9, 2013,

notwithstanding the fact that the Well had already been spudded on either May 29 or May 30, 2013.

On or about January 28, 2014, Oasis simultaneously filed three applications (collectively the "Oasis Applications") with the Board and BLM in which Oasis sought:

- i) an order designating the Subject Lands as the permanent spacing unit for the production of oil and associated natural gas from the Bakken/Three Forks Formation underlying the Subject Lands ("Oasis' Permanent Spacing Application");
- ii) an order pooling all interests in the spacing unit ("Oasis' First Force Pooling Application") as well as authorizing Oasis to recover the non-consent penalties provided for under § 82-11-202(2), MCA; and
- iii) an order authorizing the drilling of up to eight additional Bakken/Three Forks formation wells in the Temporary Spacing Unit subject to heel/toe and lateral set back restrictions ("Oasis' Increased Well Density Application").

In response to the Oasis Applications, the Board and BLM issued the following orders (as to the Board orders below, collectively the "Board Orders"; as to the BLM orders below, collectively the "BLM Orders"; and as to all orders below, collectively the "Orders"):

- i) Board Order No. 44-2014, dated February 27, 2014, which designated the Subject Lands as the permanent spacing unit for production of Bakken/Three Forks Formation oil and associated natural gas from the Well;
- ii) Board Order No. 45-2014, dated February 27, 2014, which pooled all the interests in the Subject Lands on the basis of surface acreage for production of Bakken/Three Forks Formation oil and associated natural gas and authorized the recovery of the non-consent penalties in accordance with 82-11-202(2), MCA;
- iii) Board Order No. 46-2014, dated February 27, 2014, which authorized, among other things, the drilling of up to eight additional horizontal Bakken/Three Forks Formation wells in the permanent spacing unit comprised of the Subject Lands;
- iv) BLM Order No. 1-2014 FED dated March 3, 2014, approving the designation of the Subject Lands, insofar as applicable to the Indian Trust Lands, as the permanent spacing unit for production of Bakken/Three Forks Formation oil

and associated natural gas from the Well and ordering that the Subject Lands be communitized by an Indian Communitization Agreement; and

- v) BLM Order No. 2-2014 FED dated March 3, 2014, which authorized, among other things, the drilling of up to eight additional horizontal Bakken/Three Forks Formation wells in the permanent spacing unit comprised of the Subject Lands and ordering that the Subject Lands be communitized by an Indian Communitization Agreement which has been approved by the BIA.

Oasis did not provide Omimex with the requisite 20 days' notice of the Oasis Applications as mandated by § 82-11-141(4)(b), MCA. Indeed, Oasis essentially conceded this fact during the Hearing. In an attempt to cure this failure, Oasis resubmitted a renewed Application in which it sought to force pool and recover non-consent penalties against Omimex ("Oasis' Second Force Pooling Application"). Notably, however, while Oasis insists that it gave Omimex the requisite 30 days' notice required by 82-11-202(3), MCA, it cannot establish that such notice was given prior to the spud date of the Well.

In its memorandum submitted to this Board at the Hearing, Oasis argues against vacating or rescinding the Orders claiming they are only void as to Omimex. Oasis insists that since it has now given proper notice of Oasis' Second Force Pooling Application, it has remedied any failure on its part and the Board can issue the requested order and declare Omimex liable for non-consent penalties. As argued below, however, Oasis' "partially void" argument must be rejected. This is not simply a matter of failure to give notice. It is a matter of non-compliance with a statutory prerequisite to the Board's jurisdiction. As such, the Board's orders are void in their entirety.

Regardless, even if only void as to Omimex, the proper remedy is to permit Omimex the opportunity to voluntarily consent to pooling. Non-consent penalties are not statutorily authorized when Oasis failed to act in good faith and Omimex never received notice or timely

opportunity to voluntarily consent to pooling. Any determination to the contrary runs afoul of the due process protections conferred by the U.S. and Montana Constitutions.

Accordingly, the above-referenced Board Orders must be vacated and rescinded and Omimex afforded an opportunity to voluntarily consent to pooling. Omimex is also entitled to a determination that Oasis is not entitled to the non-consent penalties provided for by § 82-11-202(2), MCA.

ARGUMENT

I. The Orders are Void in Their Entirety.

Oasis has conceded its failure to provide the requisite statutorily required notice to Omimex regarding the spacing and pooling Orders, however, it insists that such failure only renders the orders void as to Omimex and that the Board's jurisdiction over the remaining interests covered by the Orders remains intact. In support of its argument, it cites § 70-28-109, MCA, and likens the issue to a quiet title action where a party not served is not bound by the decree quieting title. Curiously, however, Oasis fails to mention that a court in a quiet title action has jurisdiction to make a "complete adjudication" of property rights only when all interested parties, "known or unknown" are named and served as defendants, even if only by publication. *See* § 70-28-104(2), MCA ("[i]f the plaintiff desires to obtain a complete adjudication of the title to the real estate described in the complaint, the plaintiff may name as defendants all known persons who assert or who might assert any claim . . . and may join as defendants all persons unknown who might make any claim. . ."); § 70-28-107(1), MCA ("[u]pon the service of summons on all defendants, known and unknown, in the manner provided in Rule 4, M.R.Civ.P., the court in which such action is tried shall have jurisdiction to make a

complete adjudication of the title to the lands named in the complaint and the title to which is sought to be quieted. . .”).

Absent proper service on all interested parties, a court lacks the ability to make a complete adjudication of the property interests implicated by the action. Thus, Oasis’ comparison to a quiet title action does not support its argument and actually supports Omimex’s position. Before the Board may issue an order making a permanent spacing and pooling determination as to all entities with oil and gas interests in a well, such entities are entitled to proper notice.

More importantly, in Montana, the Board’s ability to enter a pooling order is conditioned, by statute, upon proper notice by an applicant acting in good faith. *See* § 82-11-202(b), MCA (emphasis added) (“[t]he board, upon the application of an interested person, may enter an order pooling all interests in the permanent spacing unit for the development and operation of the permanent spacing unit and the allocation of production *if the applicant has made an unsuccessful, good faith attempt to voluntarily pool the interests within the permanent spacing unit*”). Because Oasis has conceded its failure to provide notice, at least with respect to its original pooling application, and by spudding the well before sending Oasis an election letter, it has not demonstrated the requisite good faith. Thus, the Board has no authority to enter a pooling order.

The authorities cited by Oasis from other jurisdictions are simply not applicable when the statutory language at issue differs from state to state. Montana’s statute requires a good faith attempt to give notice and obtain consent from all interest owners. Additionally, the majority of cases cited by Oasis merely addresses the issue of personal jurisdiction and do not specifically address the propriety of voiding an order as to all parties versus voiding an order only as to the

party who did not get notice. Omimex is not challenging the Board's jurisdiction over it; rather, it is challenging the validity of the Board's spacing and pooling orders when the requisite statutory prerequisites were not met.

This distinction is critical as a legislatively created board's power to act is limited by statute. See § 2-15-3303, MCA (creating the Board of Oil and Gas Conservation and designating it a quasi-judicial board). "Administrative agencies, of course, have only those powers specifically conferred upon them by the legislature." *Anaconda Co. v. Dept. of Revenue*, 178 Mont. 254, 583 P.2d 421 (1978). Any act taken outside such authority is void. *C.f. Garry v. Martin*, 70 Mont. 587, 592, 227 P. 573, 575 (1924) ("[w]ithout the publication of the notice as the statute requires the board has no jurisdiction to proceed with a hearing; if it does so its action is wholly void"); 73 C.J.S. Public Administrative Bodies and Procedure, § 146 ("since the jurisdiction of an administrative board or agency consists of the powers granted it by statute, a determination is void and subject to collateral attack where it is made either without statutory power or in excess thereof").

As stated by the Montana Supreme Court in *State ex rel. Stevens v. McLeish*, 59 Mont. 527, 531, 198 P. 357, 359 (1921):

We regard the publication of the notice substantially in the manner pointed out by the Act itself, as an essential prerequisite to jurisdiction . . . [a] departure from its commands amounts to a disregard of the legislative will. Publication of notice may be likened to constructive service of process in a judicial or quasi-judicial proceeding, without which the tribunal has no authority to proceed at all.

Accordingly, any action taken by the Board in the absence of the satisfaction of the statutory prerequisites is void *in toto*. The cases from other jurisdictions cited by Oasis are not based on Montana law and are therefore not informative on the issue of voidness. Even assuming some minimal relevance, however, other courts have determined that due process requires that an order

should be voided in its entirety and not merely against the party who did not receive notice. *See e.g. Day v. State Corp. Com.*, 341 P.2d 1028, 1030 (Kan. 1959) (“trial court was also correct when it set aside, cancelled and held for naught the [unitization and pooling] orders by the commission”).

As aptly reasoned by an Oklahoma federal district court in *Moore Oil, Inc. v. Snakard*, 150 F. Supp. 250, 260-61 (D. Okla. 1957) (internal citations omitted):

The want of notice directly resulted from the default of the applicant in failing to comply with the rules of the Corporation Commission, which have the force and effect of rules of law. . . [t]he want of compliance with the ‘notice giving’ rules of the Commission and the fact, which is not disputed, that the defendant did not obtain notice or knowledge of the pendency of the disputed hearing, require this Court to hold the order of the Commission void and without force or effect.

...

The import of the rule requiring notice in pooling applications to be given in the specific manner, consistent with a prescribed procedure, is to satisfy the requirements of substantive due process of law. And, the rule must be followed to afford procedural due process of law. This case presents an excellent example of the reasons underlying the rule in question, for here the rule was not adhered to and the one person most interested in the proceeding was not apprised of its pendency. Such a want of notice to interested parties, whose vested property interests are to be affected, falls far short of the requirements of due process of law.

Every one of the cases referenced by Oasis in its memorandum recognizes that “Commission orders which fail to show on the face of the proceedings a diligent effort to give a better notice than by publication are *facially defective*.” *Carlile v. Cotton Petro. Corp.*, 732 P.2d 438, 445 (Okla. 1986), cert. denied 483 U.S. 1021 (1987) (emphasis added).

Accordingly, because Oasis did not give the requisite notice to Omimex prior to the spacing and pooling orders and did not act in good faith in seeking voluntary pooling before spudding the well, the Board was not statutorily authorized to issue the orders and they are void in their entirety as to all parties. The Board should determine that Oasis is required to submit

renewed applications for permanent spacing and afford Omimex an opportunity to consent to pooling.

II. Regardless of Whether the Orders are Void in their Entirety, Omimex is Entitled to Elect to Voluntary Pooling and Avoid Non-Consent Penalties.

Despite its failure to satisfy the statutory notice and good faith prerequisites, Oasis urges the Board to follow *Uhden v. N.M. Oil Conservation Commn.*, 817 P.2d 721 (N.M. 1991) and pool Omimex's interest and impose risk penalties on the basis it sent Omimex an election letter and gave 30 days to respond and also submitted a renewed application for pooling. The first flaw in this argument is that § 82-11-202, MCA(3) only authorizes recovery of non-consent penalties against an owner "if prior to the spud date of the well, the owner fails to pay or agree in writing to promptly pay the share of the costs after notice by the well operator either: (i) acknowledged in writing by the owner as received; or (ii) sent at least 30 days prior the spud date of the well to the owner by certified mail, addressed to the owner's address of record in the office of the clerk and recorder of the county where the well is to be drilled or to the owner's address on file with the board."

While Oasis gave Omimex 30 days to respond to the election letter, it cannot be denied that it spudded the well before it mailed the election letter to Omimex. Under such circumstances and Montana's unique statutory language, a permanent spacing order and forced pooling order are not authorized. Omimex was not given the requisite 30 days from the spudding of the well. Moreover, since Oasis drilled the well prior to a hearing, it should have made a "written demand" on Omimex to pay its share of development costs, as contemplated by § 82-11-202(2)(b), which it never did. This Board has mandated strict compliance with statutory notice requirements as demonstrated by its previous orders. *See e.g.* Order No. 92-2014, Docket No. 87-2014 (denying request for permanent spacing and determining that "strict application of the

notice requirement is to continue the application to the next hearing when proper notice has been given”).

Additionally, the *Udden* court was “persuaded by a line of cases from Oklahoma, a fellow oil and gas producing state” including *Cravens v. Corporation Commission*, 613 P.2d 442 (Okla. 1980), cert. denied, 450 U.S. 964 (1981). However, the Oklahoma Supreme Court expounded upon the *Cravens* opinion in the subsequent *Carlile* case cited in the previous section of this brief. The Court applied *Craven’s* notice requirement prospectively to all parties and therefore rendered “those Commission orders which fail to show on the face of the proceedings a diligent effort to give a better notice than by publication are facially defective.” *Carlile*, 732 P.2d at 445. As already noted, Montana’s statutory law mirrors this “diligent effort” requirement and imposes a “good faith” on the part of a pooling applicant. Section 82-11-202(1)(b), MCA. Thus, while in *Cravens* the failure to give notice only voided an order as to that party, the Court determined prospectively that such orders would be “facially defective” as to all parties. Stated another way, the validity of an order--in its entirety as to all parties--is conditioned upon an applicant’s compliance with the “diligent effort” requirement. The same rule applies here.

Last, Oasis’ position can be rejected on the basis of simple equity considerations. A pooling order entered by the Board must be “just and reasonable” and upon terms “that afford to the owner of each tract or interest in the permanent spacing unit the opportunity to recover or receive without unnecessary expense a just and equitable share of the oil or gas produced and saved from the spacing unit.” Section 82-11-202(1)(b), MCA. It is not just and equitable to permit a pooling applicant to avoid the statutory requirements by sending an election letter after it has already spudded the well and then penalize an interest owner for not responding in time when it was never afforded the requisite notice. The proper remedy is to require Oasis to comply

with the statutory requirements by re-filing its applications to space and pool with the appropriate notice to Omimex. At the very least, Omimex must be afforded an opportunity to elect to participate without imposition of non-consent penalties.

CONCLUSION

In the present case Oasis has failed to:

- 1) Comply with the provisions of § 82-11-141(4)(b) by failing to give the required 20 days' notice to Omimex before the hearings held in response to the Oasis Applications;
- 2) Comply with the provisions of § 82-11-202(1)(b), MCA by making a good faith attempt to voluntarily pool Omimex's interest in the Temporary Spacing Unit;
- 3) Comply with the provisions of § 82-11-202(3) by mailing Omimex the Election Letter at least 30 days before the spudding of the Well; and
- 4) Comply with the provisions of § 82-11-202(2)(b) by not making written demand on upon Omimex to pay its share of the costs of development or other operations.

Oasis' failure to comply with the forgoing statutory requirements has been detrimental to Omimex's rights which deserve protection by the Board and BLM. Accordingly, Omimex is entitled to the relief requested in Omimex's Application—rescission of the Orders and a concordant determination that Oasis may recover against Omimex the non-consent penalties provided for by § 82-11-202(2), MCA.

Dated January 9, 2015.

LEE LAW OFFICE PC

By: 

Brian D. Lee

CERTIFICATE OF SERVICE

I, Robin Offe, do hereby certify that on January 9, 2015, I served a true and correct copy of the foregoing document upon the person(s) named below in the manner set forth hereafter.

Erin Ricci
Board of Oil & Gas Conservation
P.O. Box 201601
Helena, MT 59620-1601

U.S. Mail (first class postage)
 Federal Express
 Hand-Delivery
 Facsimile
 Email:

James Halverson
Board of Oil & Gas Conservation
2535 St. Johns Avenue
Billings, MT 59102

U.S. Mail (first class postage)
 Federal Express
 Hand-Delivery
 Facsimile
 Email:

Robert Stutz
Board of Oil & Gas Conservation
P.O. Box 201601
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U.S. Mail (first class postage)
 Federal Express
 Hand-Delivery
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5001 Southgate Drive
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U.S. Mail (first class postage)
 Federal Express
 Hand-Delivery
 Facsimile
 Email:

John R. Lee
CROWLEY FLECK PLLP
P.O. Box 2529
Billings, MT 59103-2529

U.S. Mail (first class postage)
 Federal Express
 Hand-Delivery
 Facsimile
 Email:

LEE LAW OFFICE PC

By: _____

Robin Offe



Feb. 2013. Wells drilled there. 4 wells unit @ N. E-W well to the east in N.D. well control. 34 ft thick (11-6 ft). Pilot offset (1st well) other 2 wells to TFS. 10,000 - 10.5 vertical feet.

NW
SE
strains

VIA FEDEX

MAY 29, 2013

Omnimex Petroleum, Inc.
2002 Beach Street, Suite 810
Fort Worth, TX 76103

Clay Hartman?
281 404 9536
281 682 8018

JUN 13 2013

Vimbo Fed -> analog
best area.

Re: Election Letter for Reveille Federal 2759 14-26H, Roosevelt County, Montana

Gentlemen:

Spudded June 10th, 2nd drill-t, (6 hrs), you landed, run cong. No more interests w/ Oasis. Sales ready for end of year.

Oasis Petroleum North America LLC, as an owner of an interest in the oil and gas leasehold estate in and under the lands covered by the spacing unit for the referenced well, hereby proposes the drilling and completion of the Reveille Federal 2759 14-26H (the "Well"). The well will be drilled as a 1,738.48 acre, single lateral horizontal test of the Middle Bakken with the spacing unit comprising Sections 26, 25, 35, and 36, Township 27 North, Range 59 East.

N
↓
S

The estimated total costs for the drilling, completing and equipping of the well is approximately \$7,750,732 as shown on the attached AFE. A review of the county records indicates that Omnimex Petroleum, Inc. owns a working interest in this spacing unit.

Accordingly, we are submitting to you this Election Letter and AFE setting forth your options to participate or not participate in the well. Although you will have thirty (30) days from delivery of this letter to make your election, we would appreciate a quick response.

If you elect to participate in the well, you must return the following within this thirty (30) day time frame.

- A signed copy of this Election Letter indicating your election in the space provided.
- A signed copy of the enclosed AFE.
- Your well information requirements.
- Your Well Control Insurance certificate listing Oasis as an additional insured in the event that you are electing to carry your own Well Control insurance.
- W-9

If you elect to participate in the Well a complete 1989 AAPL Model Form Joint Operating Agreement will be sent for signature.

If you elect not to participate in the well or fail to make a timely response to the terms of this election letter, Oasis plans to administratively pool the interest as well as assess a risk penalty in accordance with the Montana Code 82-11-202 Annotated. An objection to assessment of the risk penalty may be made by either responding in opposition to the petition for a risk penalty, or if no such petition has been filed, by filing an application or request for hearing with the Montana Board of Oil and Gas Conservation.

1001 Fannin, Suite 1500 • Houston, Texas 77002 • Phone (281) 404-9500 - Fax: (281) 404-9501

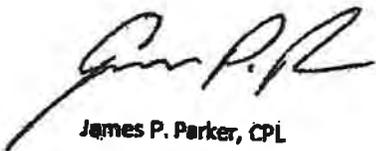
EXHIBIT "A"

According to our records, your well ownership and proportionate share of the estimated completed well costs are as follows:

	<u>% of Interest</u>	<u>Completed Well Cost</u>
Omnimex Petroleum, Inc.	11.504303%	\$891,667.69

Thank you for your prompt attention. Please contact the undersigned at 281-404-9531 or via e-mail at jparker@oasispetroleum.com if you have any questions about this proposal.

Respectfully,



James P. Parker, CPL
Senior Staff Landman
Oasis Petroleum North America LLC

Enclosure: AFE



Elections:

1.) _____ The below signed party hereby elects to participate in the proposed drilling and completion of the Reveille Federal 2759 14-26H Well and do hereby agree to pay our proportionate part of the costs and expenses related thereto. We have executed and are returning one signed copy of this letter, the AFE, and Well Requirements Sheet.

_____ As a non-operating working interest owner, you agree to be covered by Oasis' Well Control Insurance, and agree to pay your prorated share of the premiums unless you have indicated that you will be providing your own Well Control Insurance. If you elect to purchase your own Well Control Insurance, you must provide a certificate of such insurance acceptable to Oasis, as to form and limits, at the time this AFE is returned. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Oasis.

2.) _____ The below signed party hereby elects not to participate in the drilling and completion of the Reveille Federal 2759 14-26H Well, noting also the alternate options described above and hereby returns one copy indicating this non-participation.

Date

Company:

By: _____

Title: _____

Well Name Begin With

Current Data Filter: Well Name Like 'Reville%'

Wells

Data List

Records 1 to 1

25085218

General History Formations Production Location

API #	TYPE WORK	DT EFFECT	COMMENT
25-085-21898-00-00	Post-Frac Filing	3/19/2014	On FracFocus
25-085-21898-00-00	Horizontal Certification	9/10/2013	
25-085-21898-00-00	Date Well Completed	8/6/2013	
25-085-21898-00-00	FracFocus Filing	8/5/2013	FFOC Filing
25-085-21898-00-00	Date Well Spudded	5/30/2013	Advanced Energy Services #10; Nabors 169 drilling remainder of well (spud 6-11-13)
25-085-21898-00-00	Correction or Modification to Permit	3/14/2013	Log waiver
25-085-21898-00-00	Pre-Frac Filing	12/4/2012	with drilling permit
25-085-21898-00-00	Permit to Drill, Horizontal	12/4/2012	

EXHIBIT "B"

EXHIBIT "E"

Form No. 6 (7/2008)
LOCATE WELL CORRECTLY

(SUBMIT IN TRIPLICATE)
TO

MONTANA BOARD OF OIL AND GAS CONSERVATION
3035 ST. JOSEPH AVENUE
BILLINGS, MONTANA 59102

RECEIVED
MAR 19 2014

APR 22 2012
APR 22 2011
APR 22 2010
APR 22 2009

MONTANA BOARD OF OIL & GAS CONSERVATION - BILLINGS

COMPLETION REPORT

API # 25 - 080 - R1000

Company Deas Petroleum North America LLC Lease Roswell Federal Well No. 2729 41-26H

Address 1001 Farnth St, Suite 1500 Field or Area Willard
Houston, TX 77002

Surface Location: 320 ft. from N Line, 300 ft. from E Line, Sec. 26 T. 27N R. 59E

County Roswell Elevation 2924 2978

Date Spud 5-24-13 Date Completed 8-28-2013 Completed as Oil

The information given herewith is complete and correct record of the well as of the date of preparation.

Signed W. Grand
Title Regulatory Specialist Date 3/14/2014
Telephone 281 404-8491

For Vertical Well: Total depth _____ ft. Plugged back to _____ ft.
For Horizontal or Directionally Drilled Well: Enter well bore and bottom hole location data on page 2 of this form.
For coal bed natural gas well: Static water level _____ ft. below reference elevation of _____ ft.

Casing and Tubing Record

Well Bore	Type	String		Grade	Length Feet	From 500 Feet	To 500 Feet	Content Gallons	Content Top 500 Feet	Packer Set 500 Feet
		Size	Weight							
	Surface	8.625	25	J-55			2100	797	0	
	Intermediate	7	29	P-110			1470	305	3220	
	Line	4.52	11.5	P-110		10100	20100			
	Tubing	2.75	5.5	L-80			3010			

Perforated or Open-hole Intervals

Well Bore	Open Hole/Perf. Zone Top Bottom	Depth per Foot	Size and Type	Open or Isolated (method of Isolation)
Lineal	10190 30253	8.497	OH Plug & Part	Isol. Packers

Acidized, Shot, Fraced, Equipped, or Committed

Well Bore	Interval		Treatment Type	Amount and Type of Material	Max. Rate ppm/day	Max. Pressure (PSI)
	Top	Bottom				
Lineal	10190	30253	Sand Frac	800-2510-4070 sand 3,725-5140-2340 sand	24.5	8002

Well is producing from Bakken formation(s) or pool(s).
LP. 1284 barrels of oil, 890 MCF of gas, and 4818 barrels of water per 24 hours.



Oasis Petroleum AFE Approval Routing

AFE Number AFE1209 AFE Type DCD Date 6/11/2013 AFE Year 2013
 Well Number 15672.1 Original X Supplement _____ Addendum _____ Preliminary _____
 Lease/Well Name REVELLE FEDERAL 2769 14-26H Operator OASIS PETROLEUM NORTH AMERICA LLC
 Prospect Name HEBRON Location T27N R09E SEC 26, 28, 35, & 36 County/State Roosevelt, MT
 BHL- 320' FNL & 300' FEL SEC 26 T27N R09E
 BHL- 200' FNL & 100' FEL SEC 35 T27N R09E
 Objective Formation MIDDLE BAKKEN Authorized TVD (Feet) 20,657
 Authorized Total Depth (Feet) 10,706

Project Description Drill and equip a single lateral 1280 acre Middle Bakken well to explore and prove up reserves.
WI may change pending results of title opinion.

Estimated Start Date 7/8/2013 Prepared By Liz Kray
 Estimated Completion Date _____

Gross Well Data

	Drilling	Completion	Total
Intangible Drilling Costs	\$2,597,940.00	\$0.00	\$2,597,940.00
Intangible Completion Costs	\$0.00	\$3,496,892.00	\$3,496,892.00
Total Intangible	\$2,597,940.00	\$3,496,892.00	\$6,094,832.00
Tangible Drilling Costs	\$1,024,200.00	\$0.00	\$1,024,200.00
Tangible Completion Costs	\$0.00	\$631,700.00	\$631,700.00
Total Tangible	\$1,024,200.00	\$631,700.00	\$1,655,900.00
Total Costs	\$3,622,140.00	\$4,128,592.00	\$7,750,732.00

Joint Interest Owners

Company	Working Interest	Drilling	Completion	Total
Other Partners	30.01%	\$1,067,116.20	\$1,239,116.96	\$2,306,233.16
Oasis Petroleum, MA LLC	69.99%	\$2,535,024.80	\$2,889,476.04	\$5,424,498.84
AFE Total	100.00%	\$3,622,140.00	\$4,128,592.00	\$7,750,732.00

Oasis Petroleum North America Approval

Non-Consent

Brian R. Power
Recommend (Name & Title)

Date 6/11/13

Debra Gilbert
Approve (Name & Title)

Date 6/11/13

Meg Daugherty
Recommend (Name & Title)

Date 6/11/13

[Signature]
Approve (Name & Title)

Date 6/11-13

Partner Approval

Company Name _____
 Authorized By _____ Date _____
 Title _____



Oasis Petroleum AFE Approval Routing

Operator: OASIS PETROLEUM NORTH AMERICA LLC **Formation:** MIDDLE BAKKEN
Lease/Well: REVELLE FEDERAL 2769 14-26H
Field/Prospect: HEBRON

	Intangible	
839.010	IDC-PERMITS	
830.020	IDC-LEGAL TITLE/POOL/SPACING	700.00
830.040	IDC-INSURANCE & BONDS	80,000.00
830.250	IDC-PAYROLL BURDEN	25,700.00
830.290	IDC-CONTINGENCIES	10,000.00
830.300	IDC-DRILLING OVERHEAD	123,300.00
831.011	IDC-SURVEYS	7,700.00
831.012	IDC-SAFETY/ENV/REG	4,000.00
831.030	IDC-LOCATION & ROADS	1,000.00
831.055	IDC-MSE RAT HOLE/CONDUIT PIPE	194,600.00
831.240	IDC-SUPERVISION CONST	18,500.00
831.280	IDC-SURFACE DAMAGES	10,400.00
832.012	IDC-SAFETY/ENV/REG	10,000.00
832.060	IDC-RIG MOBILIZATION	1,000.00
832.060	IDC-DAYRATE DRILLING	310,000.00
832.081	IDC-SURFACE DRILLING	515,340.00
832.085	IDC- DIRECTIONAL DRILL & MWD	80,900.00
832.086	IDC-DOWNHOLE MOTORS	87,500.00
832.090	IDC-BITS	85,000.00
832.100	IDC-MUD & CHEMICALS	88,800.00
832.101	IDC-MUD SOLID CONTROL EQUIP	87,400.00
832.102	IDC-MUD CLOSED LOOP SYSTEM	12,000.00
832.103	IDC-MUD CUTTING TRANSPORT/DISP	77,000.00
832.104	IDC-MUD DIESEL	10,000.00
832.105	IDC-MUD LUBE OR BEADS	80,000.00
832.106	IDC-MUD TRANSPORT BTW LOC	35,000.00
832.109	IDC-SUPER VAC TRUCK	8,000.00
832.110	IDC-FUEL	7,500.00
832.120	IDC-WATER	189,600.00
832.130	IDC-CEMENT & CEMENT SERVICES	20,250.00
832.150	IDC-MUD LOGGING	74,000.00
832.176	IDC-CASING CREWS & EQUIP	27,300.00
832.180	IDC-RENTAL EQUIPMENT SURFACE	69,900.00
832.181	IDC-RENTAL HOUSES	39,400.00
832.182	IDC-RENTAL DRILL PIPE&HEAVY WT	22,000.00
832.184	IDC-RENTAL DOWNHOLE (REAMERS)	88,000.00
832.190	IDC-TRUCKING &TRANSPORTATION	12,000.00
832.195	IDC- PRESSURE TESTING	21,250.00
832.200	IDC-COMMUNICATIONS	4,000.00
832.210	IDC-CONTRACT LABOR	27,500.00
832.230	IDC-CONSULTING GEOLOGIST	10,000.00
832.240	IDC-SUPERVISION DRILLING	1,000.00
832.260	IDC-MISCELLANEOUS	78,700.00
		2,000.00
	Drilling Intangible Cost	2,597,840.00
	Tangible	
850.020	TDC-SURFACE CASING	
850.030	TDC-INTERMEDIATE CASING	51,100.00
850.040	TDC-PRODUCTION CASING	347,300.00
850.060	TDC-CASING HEADS & SPOOLS	132,200.00
850.060	TDC-LINERS & HANGERS	12,000.00
850.062	TDC-SLEEVES	55,000.00
		147,000.00



Oasis Petroleum AFE Approval Routing

Operator: OASIS PETROLEUM NORTH AMERICA LLC Formation: MIDDLE BAKKEN
 Lease/Well: REVELLE FEDERAL 2789 14-28H
 Field/Prospect: HEBRON

Drilling Tangible		
850.064	TDC-CENTRALIZERS	21,600.00
850.065	TDC-SCRATCHER/CENTRLZER/FLOAT	8,000.00
850.150	TDC-TUBING HEADS /TBG SPOOLS	12,000.00
850.160	TDC-PACKERS (MECH,SWELL,MYD)	298,000.00
Drilling Tangible Cost		1,024,200.00
Total Drilling Cost		3,622,140.00

Completion Intangible		
840.290	ICC-CONTINGENCIES	101,900.00
840.300	ICC-OVERHEAD	6,000.00
840.320	ICC-DVSN ORDER TITLE OPINION	45,000.00
841.030	ICC-LOCATION & ROADS	58,000.00
841.031	ICC-FLUID DISPOSAL/CONST	16,000.00
841.110	ICC-FUEL & POWER	900.00
841.200	ICC-COMMUNICATIONS	600.00
841.210	ICC-CONTRACT LABOR	10,000.00
841.240	ICC-COMPANY LABOR/SUPERVSN	12,600.00
842.180	ICC-TRUCKING & TRANSP/FACILITY	30,000.00
842.195	ICC-PRESSURE TESTING/FACILITY	12,000.00
842.240	ICC-SUPERVISION/FACILITY	14,700.00
843.031	ICC-FLUID DISPOSAL/STIM	25,000.00
843.110	ICC-FUEL/STIM	60,892.00
843.180	ICC-SURFACE RENTAL EQUIP/STIM	121,200.00
843.190	ICC-TRUCKING & TRANSP/STIM	10,500.00
843.195	ICC-HOTOIL&PRESURE TESTNG/STIM	10,000.00
843.240	ICC-SUPERVISION /STIM	25,200.00
843.325	ICC-LOGGING & WIRELINE /STIM	26,000.00
843.330	ICC-PERFORATING /STIM	182,000.00
843.350	ICC-FRACTURING	1,700,000.00
843.356	ICC-MICELLANEOUS PUMPING	8,000.00
843.380	ICC-PROD TESTING FLOW BACK/STIM	22,500.00
843.385	ICC-COMPL FLUIDS-FRESHWTR/STIM	195,980.00
843.386	ICC-HEATING STIM WATER	61,200.00
843.388	ICC-STIM WATER TRUCKING/TRANSFER	49,000.00
844.031	ICC-FLUID DISPOSAL /RIG	184,000.00
844.050	ICC-MOBILIZATION /RIG	32,600.00
844.110	ICC-FUEL /RIG	7,000.00
844.120	ICC-WATER /RIG	25,000.00
844.180	ICC-SURFACE RENTAL EQUIP/RIG	77,100.00
844.187	ICC-DOWNHOLE RENTAL EQUIP/RIG	58,000.00
844.188	ICC-WORKSTRING RENTAL /RIG	16,600.00
844.190	ICC-TRUCKING & TRANSP/RIG	12,600.00
844.195	ICC-HOT OIL&PRESURE TESTNG/RIG	12,000.00
844.240	ICC-SUPERVISION /RIG	24,000.00
844.310	ICC-COMPLETION UNIT /RIG	168,500.00
844.325	ICC-LOGGING & WIRELINE /RIG	15,000.00
844.370	ICC-TUBULAR INSPECTION	4,000.00
844.380	ICC-PROD TESTING OR FLOW BKRIG	68,800.00
844.385	ICC-COMPLETION FLUIDS /RIG	20,000.00
Completion Intangible Cost		3,496,892.00



Oasis Petroleum AFE Approval Routing

Operator: OASIS PETROLEUM NORTH AMERICA LLC Formation: MIDDLE BAKKEN
Lease/Well: REVELLE FEDERAL 2769 14-26H
Field/Prospect: HEBRON

COMPLETION TANGIBLES		
860.100	TCC-UPPER WELLHEAD ASSEMBLY/RIG	
860.120	TCC-TUBING /RIG	18,000.00
860.155	TCC-TUBING ANCHOR	71,500.00
860.160	TCC-SUBMERSIBLE PUMPS /RIG	10,000.00
860.170	TCC-SUCKER RODS /RIG	10,000.00
862.100	TCC-UPPER WELLHEAD ASSEMBLY	52,200.00
862.108	TCC-AUTOMATION / TELEMETRY	5,000.00
862.180	TCC-PUMPING UNITS	20,000.00
862.185	TCC-PUMP UNIT BASE	115,000.00
862.180	TCC-ENGINES & MOTORS	17,000.00
862.200	TCC-TANKS WALKWAYS & STAIRS	5,000.00
862.210	TCC-SEPARATORS & TREATERS	88,500.00
862.260	TCC-FLOWLINE & CONNECTORS	52,000.00
862.260	TCC-BUILDINGS & STRUCTURES	75,000.00
862.275	TCC-SIGNAGE	7,500.00
862.278	TCC-CATTLEGUARDS	500.00
862.290	TCC-INSTALLATION LABOR	2,500.00
		90,000.00
	Completion Tangible Cost	<u>651,700.00</u>
	Total Completion Cost	<u>4,128,592.00</u>
	Total Well Costs	<u>7,750,732.00</u>

FEB 12 2015

MONTANA BOARD OF OIL & GAS - HELENA
BEFORE THE BUREAU OF LAND MANAGEMENT, MONTANA STATE OFFICE
UNITED STATES DEPARTMENT OF THE INTERIOR

AND

**BEFORE THE BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA**

IN THE MATTER OF THE APPLICATION OF OMIMEX PETROLEUM, INC. FOR AN ORDER VACATING AND RESCINDING MBOGC ORDER NOS. 44-2014, 45-2014 AND 46-2014 AND BLM ORDER NOS. 25- 2012 FED, 1-2014 FED AND 2-2014 FED	MBOGC DOCKET NO. 361 - 2014 BLM DOCKET NO. 3 - 2015 FED POST-HEARING REPLY BRIEF OF OMIMEX PETROLEUM, INC.
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Omimex Petroleum, Inc. (“Omimex”) submits the following reply brief in support of its Application and in opposition to Oasis Petroleum, Inc.’s (“Oasis”) renewed application to force pooling as ordered by this Board at the December 4, 2014 hearing.

INTRODUCTION

Notably absent from Oasis’s response brief is any explanation for its failure to give Omimex proper notice of the February 27, 2014, hearing and its failure to give the requisite 30 days’ notice before spudding the well. Rather, its position is apparently one of “no harm, no foul” since it claims its re-filing of its permanent spacing and pooling applications, this time giving the requisite notice, cures any complaint asserted by Omimex. This position wholly misses the point. Oasis’s failures render the Board’s orders void based on a lack of jurisdiction. Rather than respond to Omimex’s arguments in this regard, Oasis merely recites its previous arguments and authorities which are not persuasive. Despite Oasis’s attempt to argue otherwise, its non-compliance with a statutory prerequisite usurps the Board’s jurisdiction. As such, the Board’s orders are void in their entirety. Indeed, as argued below, Oasis’s position and purported supporting authorities must be rejected.

ARGUMENT

I. The Board's Previous Orders Must be Rescinded Based on a Lack of Jurisdiction.

Curiously, Oasis offers little in response to Omimex's argument that the Board's orders are void for lack of jurisdiction except to regurgitate the same argument from its previous memo. It does not even attempt to address Omimex's arguments and legal authorities asserted in its opening brief that Oasis's comparison to a quiet title action does not support its argument and actually supports Omimex's position. This failure to respond is telling. Montana law is clear that absent proper service on all interested parties, a court lacks the ability to make a complete adjudication of the property interests implicated by the action. The same rationale applies here. The Board's previous orders must be rescinded and Omimex afforded an opportunity to elect to participate in the well.

Contrary to Oasis's insistence, it did not send a valid and timely Election Letter. Nor can it be said Omimex elected not to participate. The Election Letter did not comply with the statutory prerequisites. As such, any purported election and/or any resulting Board orders are void for want of jurisdiction as to all parties. The only remedy is to begin again and permit Omimex the opportunity to participate. Oasis offers no authority to the contrary. Nor does it address or distinguish the supporting legal authorities cited by Omimex. Pursuant to these authorities, any action taken by the Board in the absence of the satisfaction of the statutory prerequisites is void *in toto*. See *e.g. Day v. State Corp. Com.*, 341 P.2d 1028, 1030 (Kan. 1959); *Moore Oil, Inc. v. Snakard*, 150 F. Supp. 250, 260-61 (D. Okla. 1957).

Accordingly, because Oasis did not give the requisite notice to Omimex prior to the spacing and pooling orders and did not act in good faith in seeking voluntary pooling before spudding the well, the Board was not statutorily authorized to issue the orders and they are void

in their entirety as to all parties. The Board should determine that Oasis is required to submit renewed applications for permanent spacing and afford Omimex an opportunity to consent to pooling.

II. Oasis Has Not Established Good Faith, Let Alone Compliance With the Just and Equitable Standard.

Montana's statutory law imposes a "good faith" on the part of a pooling applicant. Section 82-11-202(1)(b), MCA. Indeed, Oasis does not dispute that the Board's ability to enter an order pooling all interests, including for allocation of production, is conditioned, by statute, upon proper notice by an applicant acting in good faith. *See* § 82-11-202(1)(b), MCA. Similarly, a pooling order entered by the Board must be "just and reasonable" and upon terms "that afford to the owner of each tract or interest in the permanent spacing unit the opportunity to recover or receive without unnecessary expense a just and equitable share of the oil or gas produced and saved from the spacing unit." Section 82-11-202(1)(b), MCA.

Oasis has conceded its failure to provide notice, at least with respect to its original pooling application, and has admitted it spudded the well before sending Omimex an election letter. It offers no explanation for its failure to timely mail the Election Letter or why it did not give proper notice to Omimex. Incredibly, it relies on the contents of the improper Election Letter as evidence of its good faith. Oasis's actions in failing to timely mail the letter and provide Omimex the requisite 30 day notice before spudding the well is actually evidence of its bad faith. How can Oasis meet its burden to establish good faith when it fails to offer any rationale for its failure to abide by the plain language of the statute?

The inescapable conclusion is that Omimex was entitled to the requisite notice before the well was spudded. Such notice would have afforded it an opportunity to participate in the well and receive a "just and equitable" share of any oil and/or gas produced therefrom.

III. Omimex is Entitled to Elect to Participate and Avoid Non-Consent Penalties.

Oasis is insistent that Omimex must pay non-consent penalties because it refused to participate after the faulty Election Letter. Regardless of the impropriety of the Election Letter, Oasis maintains that the Board is obligated to impose such penalties. This is simply not the law in Montana. Oasis rejects any requirement that it was required to send a written demand to Omimex regarding its share of costs. This argument is similarly misplaced. Section 82-11-202 (3), MCA, only authorizes recovery of non-consent penalties against an owner “if prior to the spud date of the well, the owner fails to pay or agree in writing to promptly pay the share of the costs after notice by the well operator either: (i) acknowledged in writing by the owner as received; or (ii) sent at least 30 days prior the spud date of the well to the owner by certified mail, addressed to the owner’s address of record in the office of the clerk and recorder of the county where the well is to be drilled or to the owner’s address on file with the board.”

Omimex cannot stress enough that these statutory prerequisites were not met. It is undisputed that the well was spudded before Oasis mailed the election letter to Omimex. Indeed, it is Oasis that is guilty of a “red herring” by arguing that because it gave Omimex 30 days to respond to the Election Letter, it complied with the statute. The plain language of the statute clearly provides otherwise. Oasis’s failure invalidates any subsequent action by the Board. Oasis’s arguments to the contrary must be rejected.

The proper remedy in this matter is to require Oasis to comply with the statutory requirements by re-filing its applications to space and pool with the appropriate notice to Omimex. At the very least, Omimex must be afforded an opportunity to elect to participate without imposition of non-consent penalties.

CONCLUSION

Oasis has wholly failed to justify its dilatory actions in this matter and establish a good faith effort. Because Oasis failed to give Omimex 30 days' notice prior to the spud date, it did not comply with the plain statutory notice requirements and did not exercise good faith, to the prejudice of Omimex's due process rights, which the Board is obligated to facilitate. Omimex is therefore entitled to the relief requested in its Application—rescission of MBOGC Orders Nos. 44-2014, 45-2014, and 46-2014 and BLM Order Nos. 1-2014 FED and 2-014 FED—and a concordant determination that Oasis may not impose against Omimex the non-consent penalties provided for by § 82-11-202(2), MCA.

Dated February 11, 2015.

LEE LAW OFFICE PC

By: 

Brian D. Lee

RECEIVED

FEB 12 2015

CERTIFICATE OF SERVICE

MONTANA BOARD OF
OIL & GAS-HELENA

I, Robin Offe, do hereby certify that on February 11, 2015, I served a true and correct copy of the foregoing document upon the person(s) named below in the manner set forth hereafter.

Erin Ricci
Board of Oil & Gas Conservation
P.O. Box 201601
Helena, MT 59620-1601

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LEE LAW OFFICE PC

By: 
Robin Offe

gas. Between August 6, 2013 and November 30, 2014, the Well produced 79,282 barrels of oil, and 59,720 mcf of gas.¹

On or around January 28, 2014, nearly eight months after Omimex received the Election Letter, Oasis filed applications with the Board and the Bureau of Land Management (“BLM”) to permanently space the Subject Lands, pool all interest owners, and increase the well density. Hearings were held on February 27, 2014, and the Board granted Oasis’ applications and issued Order Nos. 44-2014, 45-2014 and 46-2014 (the “Board Orders”); the BLM followed suit and issued BLM Order Nos. 1-2014 and 2-2014 (the “BLM Orders”).

Several months later, Omimex filed an application to vacate and rescind the Board Orders and the BLM Orders alleging that Oasis failed to serve proper notice of the February 27, 2014 hearings. In response, Oasis filed new permanent spacing and pooling applications to ensure that all parties were properly noticed. Nevertheless, Omimex takes the position that because it did not receive proper notice of the first hearing, and despite the fact it elected not to participate after receiving the Election Letter, it should now – after seeing the Well has produced over 80,000 barrels of oil – be allowed to participate.

Omimex’s arguments for why it should now be allowed to participate in the Well include: (1) the Board lacks authority to enter a spacing or pooling order because Oasis failed to make a good faith attempt to voluntarily pool its interest; (2) that a pooling order will not comply with the just and equitable standard set forth in Mont. Code Ann. § 82-11-202(1)(b); and (3) the Board is not authorized to pool Omimex’s interest and impose risk penalties because Oasis failed to send the Election Letter 30 days prior to spudding the well, and then failed to make a secondary written demand for costs prior to filing its pooling application.

¹ See online records at <http://www.bogc.dnrc.mt.gov/WebApps/DataMiner/Production/ProductionByWell.aspx> as maintained by the Montana Board of Oil and Gas Conservation. The online production records are only current through November 30, 2014; however, the Well status is currently producing.

SUMMARY OF THE ARGUMENT

Despite Omimex's numerous arguments and red-herrings, the issue in this case is simple: Does the Board possess statutory authority to pool interests and impose risk penalties when an election letter is not sent at least 30 days prior to spud? The answer is yes. Montana's pooling statute grants the Board express authority to pool all interests in a spacing unit. Mont. Code Ann. § 82-11-202. The only limitation on the Board's authority to pool is that an applicant must prove that it made a good faith effort to voluntarily pool the interest owner(s). *Id.* at (1)(b). Additionally, the Board's order must afford each owner in the permanent spacing unit a just and equitable share of production. *Id.*

Once the Board exercises its pooling authority, it "must" order costs and risk penalties on each owner who 'refused to pay' its share. *Id.* at (2)(b). If it is clear that an interest owner 'refused to pay' by electing not to participate, then risk penalties are required regardless of when the Election Letter was sent. *Id.* If, however, it is unclear whether an interest owner 'refused to pay' its share of costs – i.e. when pooling an unlocatable or unresponsive owner – then the applicant may rely on a statutory presumption. Under the statutory presumption, an owner is "presumed to have refused to pay" if the owner fails to pay its share of costs after notice by the well operator either: (i) acknowledged in writing by the owner as received; or (ii) sent at least 30 days prior to the spud date of the well by certified mail. *Id.* at (3)(a).

Note that the only time the 30 day prior to spud requirement is relevant is when it is unclear whether an interest owner 'refused to pay'. That is not the case here. Omimex concedes that it received the Election Letter nearly two months before the Well was completed and elected not to participate.

Further, Omimex's allegation that it did not receive proper notice for the February 27, 2014 hearing is a moot point; Oasis has since re-filed the applications to ensure proper notice. Therefore, the Board Orders and BLM Orders should be upheld, or, in the alternative, new orders should be issued to permanently space the Subject Lands and pool Omimex's interest with risk penalties. Any other outcome would allow Omimex the opportunity to participate in the Well, which has now produced over 80,000 barrels of oil, despite the fact that it avoided all risk by electing not to participate.

ARGUMENT

I. The Board has authority to pool Omimex's interest and impose risk penalties pursuant to Mont. Code Ann. § 82-11-202 because Omimex received a valid and timely Election Letter and elected not to participate.

The Board has express authority to pool all interests in a permanent spacing unit. Once the Board exercises its pooling authority it must impose costs and risk penalties on each owner who refused to pay its share after written demand. Specifically, Mont. Code Ann. § 82-11-202 states in pertinent part:

(1)(b) The board, upon the application of an interested person, may enter an order pooling all interests in the permanent spacing unit if the applicant has made an unsuccessful, good faith attempt to voluntarily pool the interests within the permanent spacing unit... The pooling order must... afford to the owner of each tract or interest in the permanent spacing unit the opportunity to recover... a just and equitable share of the oil or gas produced and saved from the spacing unit...

(2)(a) As to each owner who refuses to pay the owner's share of the costs..., the order must provide for payment of the owner's share of the cost out of and only out of production from the well allocable to the owner's interest in the permanent spacing unit...

(b) If a well has been drilled prior to the hearing on the application and an owner, after written demand, has failed or refused to pay the owner's share of the costs... the order must include [risk penalties] as costs...

Pursuant to § 82-11-202, the Board possesses the requisite authority to pool the interest and order risk penalties regardless of when the Election Letter was sent as long as: (1) the applicant proves that it made an unsuccessful, good faith attempt to voluntarily pool the interests; (2) the Board's pooling order affords each interest owner the opportunity to recover a just and equitable share of the oil or gas produced and saved from the pooled unit; and (3) the Board is satisfied that the owner 'refused to pay' its share of costs after written demand. *Id.*

1. Oasis complied with the good faith standard.

Oasis made a good faith attempt to voluntarily pool Omimex's interest by mailing an Election Letter more than eight months before the February 27, 2014 hearings. (*Omimex Post Hearing Brief*, pg 2). Omimex received the Election Letter on June 13, 2013. The Election Letter provides:

- Omimex “will have thirty (30) days from delivery of this letter to make [its] election.”
- If Omimex “elects to participate in the well a complete 1989 Model Form Joint Operating Agreement will be sent for signature.”
- If Omimex “elects not to participate in the well or fails to make a timely response to the terms of this letter, Oasis plans to administratively pool the interest as well as assess a risk penalty in accordance with the Montana Code 82-11-202 Annotated.”
- Omimex’s proportionate share of the estimated completion costs are \$891,687.69.

Omimex agrees that it elected to not participate. Nonetheless, Omimex argues that the Board lacks authority to enter a pooling order because Oasis failed to make a good faith attempt to voluntarily pool its interest. (*Omimex Post Hearing Brief, pg 6*). Omimex’s position is unconvincing; there is simply no legal or logical argument that Oasis failed to act in good faith. Rather, Oasis offered Omimex the right to participate in the well, and additionally offered Omimex the right to voluntarily pool its interest by executing a 1989 Model Form Joint Operating Agreement. (*See id., Exhibit A*).

Moreover, requiring Oasis to make a second offer to voluntarily pool Omimex’s interest after it elected not to participate is absurd. The Election Letter expressly informed Omimex that if it elected not to participate, its interest would be pooled with risk penalties. *Id.* Thus, the only available voluntary pooling offer would have been for Omimex to pool its interest subject to costs and statutory risk penalties. Such an offer would have been futile as it mirrors the pooling order and would not have been accepted by Omimex as evidenced by this proceeding.

2. The Board’s pooling order complies with the just and equitable standard.

Even less convincing is Omimex’s argument that a pooling order will not comply with the just and equitable share requirement of § 82-11-202(1)(b). (*Omimex Post Hearing Brief, pg 10*). The Board determines just and equitable on a surface acreage basis.² Thus, Omimex’s just and equitable share is nothing more than the proportionate share it owns in the spacing unit, on a surface acreage basis, subject to

² See Mont. Bd. of Oil and Gas Conservation Order No. 45-83 (providing that “surface acreage basis” “is the proper method of ensuring that all interest owners receive their just and equitable share”).

costs and risk penalties. What is not just and equitable is Omimex's position – that although it failed to assume any monetary risk in drilling the well, it now, after having the benefit of seeing Well production records, is entitled to production as a participating owner. If Omimex's argument were adopted, then there would be no reason for interest owners to make an election until after the owner knew whether or not the well was a producer. Such an interpretation would render the risk penalty provision superfluous. Here, the Board has authority to pool Omimex's interest under § 82-11-202(1)(b), and Omimex's just and equitable share is based on a surface acreage basis, subject to risk penalties.

3. The Board must impose statutory risk penalties because Omimex refused to pay its share of costs by electing not to participate.

Mont. Code Ann. § 82-11-202(2)(b) provides that if a well has been drilled prior to hearing and an owner, after written demand, has failed or refused to pay its share of the costs, the order must include risk penalties. The parties agree that the well was drilled prior to hearing. And again, Omimex stipulates that it elected not to participate. The Election Letter included an AFE and set forth Omimex's estimated share of the costs. (*See AFE, Omimex's Brief, Exhibit D*). The Election Letter, which listed the estimated costs, unarguably meets the written demand requirement. Therefore, the analysis should end here; the Board is statutorily required to order risk penalties. Mont. Code Ann. § 82-11-202(2)(b).

Omimex, however, argues that risk penalties cannot be imposed because Oasis should have made a second "written demand on Omimex to pay its share of costs." (*Omimex Post Hearing Brief, pg 9*). Common sense would indicate otherwise. Omimex is a non-participating interest owner, and therefore, is not required to pay any of the costs of development and operations. Oasis would have absolutely no reason to make an unenforceable written demand on Omimex to pay its share of costs, which totals \$0.00. In this case, the Election Letter meets the written demand standard, and nothing more is required.

Because Oasis offered Omimex the right to participate in the well, and the right to voluntarily pool its interest by executing a joint operating agreement, the Board possesses the authority to pool Omimex's interest under § 82-11-202(1)(b). Furthermore, the Board's pooling order must impose risk penalties because Omimex 'refused to pay' its share of the costs. Mont. Code Ann. § 82-11-202(2)(b).

II. The statutory presumption of a refusing owner under § 82-11-202(3)(a) is not applicable.

Montana's pooling statute makes a clear distinction between locatable owners who expressly refuse to pay their share of costs, and unlocatable or unresponsive owners. For unlocatable and unresponsive owners, § 82-11-202(3)(a) establishes a rebuttable presumption for determining whether the owner should be deemed a refusing owner. Specifically, Section (3)(a) states, in pertinent part, an owner is presumed to have 'refused to pay' the owner's share of costs if prior to the spud date of the well, the owner fails to pay after notice by the well operator either: (i) acknowledged in writing by the owner as received; or (ii) sent at least 30 days prior to the spud date of the well by certified mail. Mont. Code Ann. § 82-11-202(3)(a).

On the other hand, for locatable owners who 'refuse to pay' by electing not to participate, no statutory presumption is necessary. Therefore, Section (3)(a) does not apply. Here, the parties agree that Omimex refused to pay its share of costs after receiving the Election Letter. Thus, there is nothing to presume. However, ignoring the statutory distinction, Omimex argues that the Board lacks authority to enter either a permanent spacing order or a pooling order because Omimex did not receive the Election Letter at least 30 days before the well was spud. (*Omimex Post Hearing Brief, pg 9*).³ Pursuant to Omimex's position, the Board lacks authority to permanently space and/or to pool any time a single interest owner in a proposed unit does not receive notice at least 30 days prior to spud.

Furthermore, Omimex does not explain how failing to receive an Election Letter at least 30 days prior to spud is inequitable. (*See Omimex Post Hearing Brief, pg 10, providing that it is not just and equitable to permit pooling when an election letter is sent after the well has been spudded*). In truth, having the benefit of additional information after the well has been spud would offer an advantage in determining whether or not to participate. Regardless, however, the fact remains that Omimex elected not

³Note, that even if Section (3)(a) were applicable, Omimex has acknowledged in writing that it received the Election Letter. Therefore, the statutory presumption is met under subpart (3)(a)(i), which provides that an owner is presumed to have refused to pay if the owner acknowledged in writing that it received the Election Letter. Accordingly, even if the presumption were applicable, the presumption is met and the 30 day prior to spud requirement under (ii) remains irrelevant.

to pay its share of the costs and is therefore a refusing owner – no presumption is necessary. Therefore, the Board Orders and BLM Orders should be upheld, or, in the alternative, new orders should be issued to permanently space the Subject Lands and pool Omimex’s interest with risk penalties.

III. The Board Orders and BLM Orders are valid as to all parties properly noticed.

The issue of whether the Board and BLM Orders are void is moot because Oasis re-filed the applications to ensure that all parties received proper notice. Nevertheless, even if Oasis had not re-filed the applications, the Board and BLM Orders remain valid as to all parties who were properly served notice.

The Board has jurisdiction to issue an order if it has (1) legislative authority to issue the specific order; (2) jurisdiction over the subject matter; and (3) jurisdiction over the person. There is no question that the Board had subject matter jurisdiction and possessed the requisite authority to issue the Orders. Mont. Code Ann. § 82-11-202 (2014). Furthermore, there is no doubt that some of the owners whose interests were spaced and pooled pursuant to the Orders were properly served and thus the Board had personal jurisdiction over those parties. Omimex, however, has alleged that it was not properly served notice of the initial hearing, and therefore argues the Board Orders and BLM Orders should be vacated and rescinded in their entirety. Omimex’s argument fails because even if it is determined that Omimex was not properly served, and therefore not provided sufficient due process, the Orders are void *only as to* Omimex. Thus, Omimex’s request for the Board and BLM to rescind and vacate the Orders in their entirety should be denied.⁴

In addition to denying Omimex’s request to rescind and vacate the Orders in their entirety, the Board should now force pool Omimex’s interest and impose statutory risk penalties as discussed above.

⁴ Oasis hereby incorporates all arguments set forth in its Memorandum dated December 3, 2014, and attached hereto as Exhibit A. Furthermore, to the extent that there is a split in authority as to the effect of failing to properly notice a party, the Board should adopt the *void as to only the unnoticed party* rule. The Board held the requisite jurisdiction over the other parties. Additionally, to hold an Order void in its entirety would allow a single interest owner to dissolve an order months, or even years, after the order was issued even though the applicant acted in good faith.

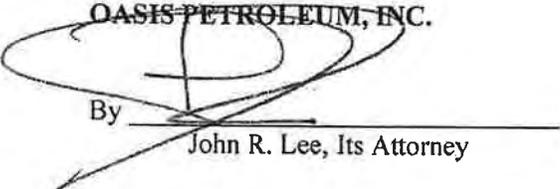
Again, Omimex received an Election Letter and elected not to participate. Proper notice has been sent for this hearing. Therefore the Board has authority to pool the subject interests and allow Oasis and other cost bearing parties to recover risk penalties. Mont. Code Ann. § 82-11-202(b)(2). See *Uhdén v. New Mexico Oil Conservation Commn.*, 817 P.2d 721, (N.M. 1991) (holding the subsequent order was binding on *Uhdén* despite the fact that he was not properly noticed for the initial hearing.)

CONCLUSION

The Board and the BLM should deny Omimex's request to vacate and rescind the Orders. Or, in the alternative, if the Board and the BLM determine that the Orders are void as to Omimex, then new orders should be issued to permanently space the Subject Lands and pool Omimex's interest with risk penalties.

Dated this 22nd day of January, 2015.

OASIS PETROLEUM, INC.

By 

John R. Lee, Its Attorney

CROWLEY FLECK
P.O. Box 2529
Billings, MT 59103-2529
Email: jlee@crowleyfleck.com

Memorandum

To: Montana Board of Oil and Gas
From: Crowley Fleck, PLLP
Date: December 3, 2014
Re: Docket 361-2014 & 3-2015 FED - Application to Vacate and Rescind Orders

Omimex Petroleum, Inc.'s ("Omimex") application to vacate and rescind Board Orders 44-2014, 45-2014, and 46-2014 should be denied because an alleged failure to serve proper notice on a single party does not render an administrative order void in its entirety. Furthermore, because Omimex was offered the right to participate in accordance with Montana law, and failed to timely respond, Oasis requests that the Montana Board of Oil and Gas ("Board") either uphold the prior Orders, or in the alternative, issue an order statutorily pooling Omimex's interest and impose risk penalties pursuant to Mont. Code Ann. § 82-11-202(b).

I. Omimex's application to vacate and rescind the Orders should be denied because failure to serve proper notice on a party does not render an administrative order void in its entirety.

The Board has jurisdiction to issue an order if it has (1) legislative authority to issue the specific order; (2) jurisdiction over the subject matter; and (3) jurisdiction over the person. There is no question that the Board had subject matter jurisdiction and possessed the requisite authority to issue Order Nos. 44-2014, 45-2014 and 46-2014 (the "Orders"). Mont. Code Ann. § 82-11-202 (2014). Furthermore, there is no doubt that some of the persons whose interests were spaced and pooled pursuant to the Orders were properly served and thus the Board had personal jurisdiction over those parties. Omimex, however, has alleged that it was not properly served notice of the subject hearings, and therefore argues the Board should vacate and rescind the Orders in their entirety. Omimex's argument fails because even if it is determined that Omimex was not properly served, and therefore not provided sufficient due process, the Board's Orders are void *only as to* Omimex. Thus, Omimex's request for the Board to rescind and vacate the orders in their entirety should be denied.

Montana law recognizes that an order or judgment is binding on all parties who are properly served. For example, Montana Code Annotated § 70-28-109 provides that in a quiet title proceeding, every defendant and claimant who has been served in accordance with the law is bound by the judgement or decree entered. Mont. Code Ann. § 70-28-109 (2014). Therefore, although a party who is not served is not bound by the judgment, the judgment remains binding on all parties who were given proper notice. In accordance with general Montana law, the Orders entered by the Board should be found valid as to all parties who were properly served because the Board possessed (1) authority to enter the order, (2) subject matter jurisdiction, and (3) personal jurisdiction over those parties.

Other jurisdictions also provide that failure to give notice to a party renders an order void *only as to that party*. See *Louthan v. Amoco Prod. Co.*, 652 P.2d 308, 310 (Okla. App. Div. 2 1982) (holding the "spacing and drilling order of the corporation commission is, therefore, void *as to Amoco*"); *Application of*

Koch Exploration Co., 387 N.W.2d 530, 537 (S.D. 1986) (holding that the Board's order was "not void in toto," rather it was void only as to the parties over which the court lacked jurisdiction and the parties whom had not waived personal jurisdiction); *Uhden v. New Mexico Oil Conservation Commn.*, 817 P.2d 721, 724 (N.M. 1991) (holding that Commission's orders "are hereby void as to Uhden"); see also Bruce M. Kramer, 27 E. Min. L. Found., § 7.03 *Common Problems Attendant to Compulsory Pooling*, 2006 WL 4586178 ("failure to provide notice to a party entitled to notice may render the order void as to that party and thus not subject to the collateral attack doctrine.") (and citing, at footnote no. 105, *Application of Koch Exploration Co.*, 387 N.W.2d 530 (S.D. 1986) and *Harry R. Carlisle Trust v. Cotton Petroleum Corp.*, 732 P.2d 438 (Okla. 1986) for proposition that "order issued without proper notice [is] invalid solely as the party who did not receive notice").

Accordingly, pursuant to Montana law, as well as numerous other jurisdictions, the Board should deny Omimex's request to rescind and vacate the Orders because the Orders are not void in their entirety.

II. The Board should pool Omimex's interest and impose risk penalties because Omimex received a valid and timely offer and failed to elect to participate.

In addition to denying Omimex's request to rescind and vacate the Orders in their entirety, the Board should now force pool Omimex's interest and impose statutory risk penalties. Omimex was sent election letters and given 30 days to respond. Omimex failed to respond timely and therefore the Board has authority to pool the subject interests and allow Oasis and other cost bearing parties to recover risk penalties. Mont. Code Ann. § 82-11-202(b),(e).

This case is nearly identical to *Uhden v. New Mexico Oil Conservation Commn.*, 817 P.2d 721, (N.M. 1991). In *Uhden*, Amoco filed an application with the New Mexico Oil Conservation Commission seeking an increase in well spacing from 160 acres to 320 acres. After a hearing, the Commission issued Order No. R-7588-A which approved 320 acre spacing. Then, Uhden, an interest holder in the spacing unit, filed an application requesting that the Commission vacate Order No. R-7588-A arguing that she did not receive proper notice of the hearing. The Commission refused to vacate the existing order and issued Order No. R-8653 determining that notice by publication was sufficient under the applicable statutory scheme and providing that 320 acre spacing was proper. *Id.* at 722. In response, Uhden appealed the Commission's decision. The New Mexico Supreme Court held that Uhden was not afforded sufficient due process and therefore Order No. R-7588-A was "void as to Uhden." *Id.* at 724. However, the Court held that Order No. R-8653 – which refused to vacate the previous order and determined 320 acre spacing proper – was binding on Uhden and therefore her interest was subject to 320 acre spacing pursuant to Commission's second order.

Here, like *Uhden*, the Board will possess personal jurisdiction over Omimex at the December 4, 2014 hearing. Further, the facts will demonstrate that Omimex was not timely in its election to participate in drilling and operating the well. Therefore, Omimex's interests should be pooled pursuant to Montana law subject to the statutory risk penalties. Mont. Code Ann. § 82-11-202(e).

In conclusion, we recommend that the Board deny Omimex's request to rescind and vacate the Orders in their entirety. Additionally, we request that the Board statutorily pool Omimex's interests and impose statutory risk penalties pursuant to Mont. Code Ann. § 82-11-202.

CERTIFICATE OF SERVICE

I the undersigned, hereby certify that on January 22, 2015, a true and correct copy of the attached document was deposited in the United States Mail, postage prepaid, addressed as follows:

Erin Ricci
Board of Oil & Gas Conservation
P. O. Box 201601
Helena, MT 59620-1601

James Halverson
Board of Oil & Gas Conservation
2535 St. Johns Avenue
Billings, MT 59102

Robert Stutz
Board of Oil & Gas Conservation
P. O. Box 201601
Helena, MT 59620-1601

Jack Wunder
BLM Montana State Office
5001 Southgate Drive
Billings, MT 59101-4669

Brian D. Lee
P. O. Box 70
Shelby, MT 59474

Dated this 22nd day of January, 2015.

CROWLEY FLECK PLLP

By 

John R. Lee



OFFICE PC

LEELAW Don R. Lee | Brian D. Lee | Luke Casey
phone 406.434.5244 fax 406.434.5246 | P.O. Box 790 | 158 Main Street, Shelby, MT 59474

leelawofficepc.com

February 24, 2015

VIA EMAIL

Montana Board of Oil and Gas
Attn: Mr. Robert Stutz
P.O. Box 201601
Helena, MT 59620-1601

Re: *Order No. 346-2014 – Response to Oasis' Motion to Strike Omimex's Reply Brief*

Dear Mr. Stutz:

On February 20, 2015, Oasis Petroleum, Inc. ("Oasis") moved the Board to strike and otherwise disregard the Reply Brief filed by Omimex Petroleum, Inc. ("Omimex") on the basis it was dated February 11, 2015, and filed February 17, 2015, rather than the date Oasis claims it was due to be filed—February 6, 2015.

A review of this Board's Order No. 346-2014, issued December 4, 2014, reveals some confusion as to which briefs are appropriately designated opening, response, or reply briefs, since both parties are seeking relief. Additionally, the Order was not emailed to the parties until January 3, 2015, which created additional confusion as to what day deadlines were to run from.

In any event, if the appropriate deadline was February 6, 2015, the undersigned miscalculated the applicable deadline. This Board may excuse such inadvertent mis-calendar and accept Omimex's Post-Hearing Reply Brief for filing. *Weidow v. Uninsured Employers' Fund*, 2010 MT 292, ¶ 24, 359 Mont. 77, 246 P.3d 704 ("equitable principles [may] apply to toll procedural filing deadlines during the administrative processing of claims"); *Northwest Truck & Trailer Sales, Inc. v. Dvorak*, 265 Mont. 327, 335, 877 P.2d 31, 35 (1994) (appeal deadline extended based on attorney's affidavit calendaring error and finding of good cause and excusable neglect); *see also, Ahanchian v. Xenon Pictures, Inc.*, 624 F.3d 1253, 1259-60 (9th Cir. Cal. 2010); *Pincay v. Andrews*, 389 F.3d 853, 859-860 (9th Cir. Cal. 2004).

Accordingly, Omimex respectfully requests the Board to accept Omimex's Post-Hearing Reply Brief for filing and deny Oasis' motion to strike. Enclosed herewith in support of this request is an Affidavit.

Sincerely,

LEE LAW OFFICE PC

By: 

Brian Lee

Encls.

cc. John R. Lee and James W. Halverson

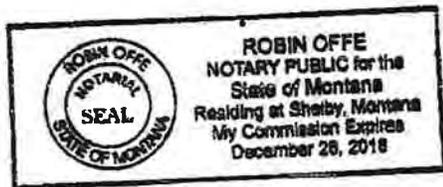
- 8) Oasis' attorney admits that he received Omimex's Post-Hearing Reply Brief on February 17, 2015, over one week before the hearing set in this matter for February 26, 2015.
- 9) The Board should have the benefit of Omimex's Post-Hearing Reply Brief when considering the arguments of the parties in making a determination on this matter.

Dated February 24, 2015.

LEE LAW OFFICE PC

By: *RL*
Brian D. Lee

Subscribed and sworn to before me on February 24, 2015, by Brian D. Lee.



 RO
Notary Public for the State of Montana

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

UPON THE APPLICATION OF OMIMEX PETROLEUM, INC. TO
VACATE AND RESCIND BOARD ORDERS 44-2014, 45-2014,
AND 46-2014, AND BLM ORDERS 25-2012 FED, 1-2014 FED,
AND 2-2014 FED. THESE ORDERS WERE ISSUED AT THE
REQUEST OF OASIS PETROLEUM, INC. AND INVOLVE THE
PERMANENT SPACING UNIT COMPRISED OF SECTIONS 25,
26, 35, AND 36, T27N-59E, ROOSEVELT COUNTY, MONTANA.

ORDER 346-2014

Docket No. 361-2014 & 3-2015 FED

Report of the Board

The above entitled cause came on regularly for hearing on December 4, 2014 at the Board's hearing room at 2535 St. Johns Avenue in Billings, Montana, pursuant to the order of the Board of Oil and Gas Conservation of the State of Montana, hereinafter referred to as the Board. Member Bret Smelser was absent. Member John Evan recused himself and took no part in the proceedings on this matter. At this time and place testimony was presented, statements and exhibits were received, and the Board then took the cause under advisement; and, the Board having fully considered the testimony, statements and exhibits and all things and matters presented to it for its consideration by all parties in the Docket, and being well and fully advised in the premises, finds and concludes as follows:

Findings of Fact

1. Due, proper and sufficient notice was published and given of this matter, the hearing hereon, and of the time and place of said hearing, as well as the purpose of said hearing; all parties were afforded opportunity to present evidence, oral and documentary.

2. Mr. Brian Lee stated his client, Omimex Petroleum, Inc. (Omimex), have withdrawn their request to rescind the temporary spacing request. Mr. Brian Lee stated that Oasis Petroleum did not list Omimex in the certificate of mailing, and the election letter they did receive was sent out the same day the well was spudded. Mr. John Lee represented Oasis Petroleum, Inc. (Oasis), in the protest of this application. Mr. John Lee asked why Omimex waited for a year and a half to make application to vacate the earlier orders. Mr. Lee also stated that the prior Board Orders should stand because an election letter was sent and acknowledged as received by Omimex Petroleum, Inc.

3. The evidence indicates that taking the following action will serve to protect correlative rights and be in the interest of conservation of oil and gas in the State of Montana.

Conclusions of Law

The Board of Oil and Gas Conservation of the State of Montana conclude that the applicant has not demonstrated the requirements of Section 82-11-202, M.C.A. have been met.

BOARD ORDER NO. 346-2014

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that this application is continued to the February 26, 2015, public hear.

IT IS FURTHER ORDERED that each party will need to file legal briefs. They have 30 calendar days to file opening briefs, 15 calendar days to file response briefs, and 15 calendar days to file reply briefs.

IT IS FURTHER ORDERED that a federal communitization agreement for spacing units which contain both federal and non-federal land shall be submitted to the authorized officer of the Bureau of Land Management prior to or upon completion of a producible well.

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 4th day of December, 2014.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

Linda Nelson, Chairman

Wayne Smith, Vice-Chairman

Ronald S. Efta, Board Member

Peggy Ames Nerud, Board Member

ATTEST:

James W. Halvorson, Administrator

I dissent,

Jack King, Board Member

CROWLEY FLECK PLLP ATTORNEYS

John R. Lee
490 North 31st Street
P. O. Box 2529
Billings, MT 59103-2529
406.255.7252 (voice)
406.256.8526 (fax)
jlee@crowleyfleck.com

February 20, 2015

Montana Board of Oil and Gas
Attn: Mr. Robert Stutz
P.O. Box 201601
Helena, MT 59620-1601

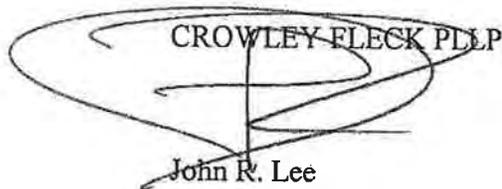
RE: Order No. 346-2014 – Motion to Strike Omimex’s Reply Brief

Dear Mr. Stutz:

On December 4, 2014, per Order No. 346-2014, the Montana Board of Oil and Gas Conservation (the “Board”) ordered Oasis Petroleum Inc. (“Oasis”) and Omimex Petroleum Inc. (“Omimex”) to file legal briefs regarding Omimex’s allegations of improper notice for prior permanent spacing and pooling hearings. The Board’s Order granted the parties thirty (30) calendar days to file opening briefs, fifteen (15) calendar days to file response briefs, and fifteen (15) calendar days to file reply briefs. After receiving an extension, Omimex filed its opening brief on January 9, 2015. Oasis filed its response brief fourteen days later on January 23, 2015.

Therefore, Omimex’s reply was due on or before February 6, 2015. Oasis, however, was not served with the reply brief until February 17, 2015, nearly two weeks after it was due. The reply brief was dated February 11, 2015 – still nearly a week after the filing deadline. Therefore, Oasis requests that the Board disregard and strike Omimex’s untimely reply brief.

Sincerely,

CROWLEY FLECK PLLP

John R. Lee

Encl.: Board Order 346-2014
cc: Brian Lee; Jim Halvorson