

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION
BILLINGS, MONTANA
August 12 & 13, 2015

CONSERVATION AND PREVENTION)
OF WASTE OF OIL AND GAS)

NOTICE OF PUBLIC HEARING

The Board of Oil and Gas Conservation of the State of Montana will hold its business meeting on Wednesday, August 12, 2015, at 2:00 p.m. in the hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. The agenda for that meeting is as follows:

1. Call to order
2. Approval of minutes of June 24, 2015 business meeting
3. Opportunity for public comment
4. Discussion of whether to initiate rule making for drilling setbacks.
5. J. Burns Brown Operating Co. request for re-hearing of Docket 114-2015
6. Proposed hearing schedule for 2016
7. Financial report
8. Bond summary & spill report
9. Docket summary
10. Gas flaring exceptions
11. Staff reports
12. Other business

The Board will conduct public hearings pursuant to Chapter 11 of Title 82 of the Montana Code Annotated on the matters described below at 8:00 a.m. on Thursday, August 13, 2015, in the hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. Interested persons have the opportunity to be heard for each docket. For more information or to request accommodation for a disability, please contact Erin Ricci at (406) 444-6675 or Jennifer Rath at (406) 656-0040, as soon as possible before the scheduled hearing.

Docket 123-2015

APPLICANT: MONTANA LAND & EXPLORATION, INC. – BLAINE COUNTY, MONTANA

Upon the application of **Montana Land & Exploration, Inc.** to designate a permanent spacing unit comprised of SE $\frac{1}{4}$ of Section 22, T34N-R20E, Blaine County, Montana, for the production of oil and associated natural gas from the Eagle Formation with respect to the SE Battle 15-22 well.

Docket 124-2015

APPLICANT: DECKER OPERATING COMPANY, L.L.C. – PHILLIPS COUNTY, MONTANA

Upon the application of **Decker Operating Company, L.L.C** to designate all of Section 23, or in the alternative, the NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 23 and the NW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26, T37N-R29E, Phillips County, Montana, as a permanent spacing unit for the production of natural gas from the Bowdoin Formation with respect to the MLFU #2379-1 well.

Docket 125-2015

APPLICANT: DECKER OPERATING COMPANY, L.L.C. – PHILLIPS COUNTY, MONTANA

Upon the application of **Decker Operating Company, L.L.C** to designate a permanent spacing unit comprised of all of Section 24, T37N-R29E, Phillips County, Montana, for the production of natural gas from the Bowdoin Formation with respect to the MLFU #2479-1 well.

Docket 126-2015

APPLICANT: DECKER OPERATING COMPANY, L.L.C. – PHILLIPS COUNTY, MONTANA

Upon the application of **Decker Operating Company, L.L.C.** to drill an additional well within the permanent spacing unit comprised of all of Section 24, T37N-R29E, Phillips County, Montana at a proposed well location approximately 1,752' FNL and 1,247' FEL in Section 24. Applicant requests placement on the Default Docket.

Docket 127-2015

APPLICANT: WEIL GROUP RESOURCES, LLC – HILL COUNTY, MONTANA

Upon the application of **Weil Group Resources, LLC** to drill a Red River Formation natural gas test well at a proposed well location approximately 1,050' FNL and 600' FEL in Section 10, T33N-R9E, Hill County, Montana, as an exception to A.R.M. 36.22.702(11). Applicant will apply for permanent spacing within 90 days of successful well completion.

Docket 128-2015

APPLICANT: CONTINENTAL RESOURCES, INC. – RICHLAND COUNTY, MONTANA

Upon the application of **Continental Resources, Inc.** to authorize the continuation of the pilot enhanced class II recovery project for the Staci 3-11H well located in the permanent spacing unit comprised of all of Sections 11 and 14, T23N-R55E, Richland County, Montana for an additional 18 months.

Docket 129-2015

APPLICANT: KRAKEN OIL & GAS LLC – ROOSEVELT COUNTY, MONTANA

Upon the application of **Kraken Oil & Gas LLC** to amend Board Order 192-2012 to authorize the drilling of a horizontal Bakken/Three Forks Formation well anywhere within the temporary spacing unit comprised of all of Sections 15 and 22, T27N-R57E, Roosevelt County, Montana, but not closer than 200' (heel/toe setback) and 500' (lateral setback) to the exterior boundaries thereof, provided that operations for the drilling of said well commence within one year of the date of the order issued by the Board. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 130-2015

APPLICANT: KRAKEN OIL & GAS LLC – RICHLAND & ROOSEVELT COUNTY, MONTANA

Upon the application of **Kraken Oil & Gas LLC** to vacate Board Order 442-2011, Board Order 93-2011, and Board Order 214-2010 and to create a temporary spacing unit comprised of Sections 25 and 26, T27N-R57E, Richland and Roosevelt County, Montana, to drill a horizontal Bakken/Three Forks Formation well anywhere within said spacing unit but not closer than 200' (heel/toe setback) and 500' (lateral setback) to the exterior boundaries thereof, provided that operations for the drilling of said well commence within one year of the date of the order issued by the Board. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 131-2015

APPLICANT: KRAKEN OIL & GAS LLC – RICHLAND & ROOSEVELT COUNTY, MONTANA

Upon the application of **Kraken Oil & Gas LLC** to vacate Board Order 442-2011, Board Order 93-2011, Board Order 214-2010 and to create a temporary spacing unit comprised of Sections 35 and 36, T27N-R57E, Richland and Roosevelt County, Montana, to drill a horizontal Bakken/Three Forks Formation well anywhere within said spacing unit but not closer than 200' (heel/toe setback) and 500' (lateral setback) to the exterior boundaries thereof, provided that operations for the drilling of said well commence within one year of the date of the order issued by the Board. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 132-2015

APPLICANT: KRAKEN OIL & GAS LLC – RICHLAND & ROOSEVELT COUNTY, MONTANA

Upon the application of **Kraken Oil & Gas LLC** to vacate Board Order 94-2011 and Board Order 410-2011 and to create a temporary spacing unit comprised of Sections 27 and 28, T27N-R57E, Richland and Roosevelt County, Montana, to drill a horizontal Bakken/Three Forks Formation well anywhere within said spacing unit but not closer than 200' (heel/toe setback) and 500' (lateral setback) to the exterior boundaries thereof, provided that operations for the drilling of said well commence within one year of the date of the order issued by the Board. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 133-2015

APPLICANT: KRAKEN OIL & GAS LLC – RICHLAND & ROOSEVELT COUNTY, MONTANA

Upon the application of **Kraken Oil & Gas LLC** to vacate Board Order 94-2011 and Board Order 410-2011 and to create a temporary spacing unit comprised of Sections 33 and 34, T27N-R57E, Richland and Roosevelt County, Montana, to drill a horizontal Bakken/Three Forks Formation well anywhere within said spacing unit but not closer than 200' (heel/toe setback) and 500' (lateral setback) to the exterior boundaries thereof, provided that operations for the drilling of said well commence within one year of the date of the order issued by the Board. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 134-2015

APPLICANT: LEGACY RESERVES OPERATING, LP – DAWSON COUNTY, MONTANA

Upon the application of **Legacy Reserves Operating, LP**, to convert the Government McGhee 1A well (API #25-021-05146) located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 22, T17N-R53E, Dawson County, Montana (Deer Creek Field) to a Class II saltwater disposal well in the Dakota Formation at a depth of approximately 4460 ft. An aquifer exemption is being requested as the injection zone contains water with less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the default docket.

Docket 135-2015

APPLICANT: SLAWSON EXPLORATION COMPANY INC – RICHLAND COUNTY, MONTANA

Upon the application of **Slawson Exploration Company Inc.** to create a temporary spacing unit comprised of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 13, SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14, NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23 and NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 24, T21N-R59E, Richland County, Montana, to recomplete the Pilum #1-24H well, located approximately 250' FNL, 350' FWL in Section 24, as a Tyler Formation well. Applicant will apply for permanent spacing within 90 days of successful well completion. Applicant requests placement on the Default Docket.

Docket 136-2015

APPLICANT: HORTON B. KOESSLER AND JAMES H. KOESSLER – RICHLAND COUNTY, MONTANA

Upon the application of Horton B. Koessler and James H. Koessler to vacate and rescind Board Order 353-2013 insofar as such order pertains to applicant. This order was issued at the request of Oasis Petroleum, Inc. and involves the pooling of interests within the permanent spacing unit comprised of all of Sections 14 and 23, T26N, 58E, Richland County, Montana.

Docket 137-2015

APPLICANT: HORTON B. KOESSLER AND JAMES H. KOESSLER – RICHLAND COUNTY, MONTANA

Upon the application of Horton B. Koessler and James H. Koessler to vacate and rescind Board Order 16-2013 insofar as such order pertains to applicant. This order was issued at the request of Oasis Petroleum, Inc. and involves the pooling of interests within the permanent spacing unit comprised of all of Sections 26 and 35, T26N, 58E, Richland County, Montana.

Docket 138-2015

APPLICANT: HORTON B. KOESSLER AND JAMES H. KOESSLER – RICHLAND COUNTY, MONTANA

Upon the application of Horton B. Koessler and James H. Koessler to vacate and rescind Board Order 594-2012 insofar as such order pertains to applicant. This order was issued at the request of Oasis Petroleum, Inc. and involves the pooling of interests within the permanent spacing unit comprised of all of Sections 25 and 36, T26N, 58E, Richland County, Montana.

Docket 139-2015

APPLICANT: SYNERGY OFFSHORE, LLC (dba SOG Resources) – GLACIER COUNTY, MONTANA

Upon the application of **Synergy Offshore, LLC (dba SOG Resources)**, to drill the X-703B well in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, T34N-R6W, Glacier County, Montana (Cut Bank Field) as a Class II enhanced oil recovery injection well in the Cut Bank Formation at a depth of approximately 2800 ft. An aquifer exemption is being requested as the injection zone contains water with less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the default docket.

Docket 114-2015

J. Burns Brown Operating Co. Request for Rehearing

APPLICANT: MALSAM FAMILY, LLC AND TODD MALSAM – BLAINE COUNTY, MONTANA

Upon the application of **Malsam Family, LLC and Todd Malsam**, for a complaint against J. Burns Brown Operating Co., John Brown, Jr., and Travis Brown for failure to provide notice within 180 days of activity that disturbs the land surface and inadequacy of the required notice that is in violation of Section 82-10-503(1), M.C.A., failure to negotiate a Surface Use Damage Agreement in good faith that is in violation of Section 82-10-504(1)(a), M.C.A., and failure to adequately reclaim the well site as required by the permit to drill.

Docket 300-2014

Continued from October 2014

APPLICANT: ANADARKO E&P ONSHORE LLC - TOOLE COUNTY, MONTANA

Upon the application of **Anadarko E&P Onshore LLC** to create a permanent spacing unit comprised of the NW $\frac{1}{4}$ Section 8 and the SW $\frac{1}{4}$ and Governmental Lots 7 and 8 of Section 5, T37N-R2W, Toole County, Montana, for the production of oil and associated natural gas from Bakken/Three Forks Formation with respect to the Horgus Fee 3702-08-05-11H well.

Docket 2-2015

Continued from February 2015

APPLICANT: INTERSTATE EXPLORATIONS, LLC – WIBAUX COUNTY, MONTANA

Upon the application of **Interstate Explorations, LLC** to designate a permanent spacing unit comprised of the E $\frac{1}{2}$ of Section 30, T14N-R60E, Wibaux County, Montana, for the production of oil and associated natural gas from the Red River Formation with respect to the Nelson #2-1 well.

Docket 3-2015

Continued from February 2015

APPLICANT: INTERSTATE EXPLORATIONS, LLC – WIBAUX COUNTY, MONTANA

Upon the application of **Interstate Explorations, LLC** to pool all interests in the permanent spacing unit comprised of the E $\frac{1}{2}$ of Section 30, T14N-R60E, Wibaux County, Montana, for the production of oil and associated natural gas from the Red River Formation and to authorize the recovery of non-consent penalties in accordance with Section 82-11-202(2), M.C.A., with respect to the Nelson #2-1 well.

Docket 78-2015
Continued from April 2015

APPLICANT: OASIS PETROLEUM, INC. – ROOSEVELT COUNTY, MONTANA

Upon the application of **Oasis Petroleum, Inc.** to pool all interests in the permanent spacing unit comprised of all of Sections 33 and 34, T28N-R58E, Roosevelt County, Montana, for the production of oil and associated natural gas from the Bakken/Three Forks Formation and to authorize the recovery of non-consent penalties in accordance with Section 82-11-202(2), M.C.A., with respect to the Ring Fed #2858 44-34H well.

Docket 116-2015
Continued from June 2015

APPLICANT: SYNERGY OFFSHORE, LLC (dba SOG Resources) – GLACIER COUNTY, MONTANA

Upon the application of **Synergy Offshore, LLC (dba SOG Resources)**, to drill the P635B well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 35, T35N-R6W, Glacier County, Montana (Cut Bank Field) as a Class II enhanced oil recovery injection well in the Cut Bank Formation at a depth of approximately 2,800 ft. An aquifer exemption is being requested as the injection zone contains water with less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the default docket.

Docket 117-2015
Continued from June 2015

APPLICANT: SYNERGY OFFSHORE, LLC (dba SOG Resources) – GLACIER COUNTY, MONTANA

Upon the application of **Synergy Offshore, LLC (dba SOG Resources)**, to drill the R602 well in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 2, T34N-R6W, Glacier County, Montana (Cut Bank Field) as a Class II enhanced oil recovery injection well in the Cut Bank Formation at a depth of approximately 2,800 ft. An aquifer exemption is being requested as the injection zone contains water with less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the default docket.

Docket 118-2015
Continued from June 2015

APPLICANT: XTO ENERGY INC. – RICHLAND COUNTY, MONTANA

Upon the application of **XTO Energy Inc.** to designate a permanent spacing unit comprised of all of Sections 16 and 21, T24N-R56E, Richland County, Montana, for the production of oil and associated natural gas from the Bakken/Three Forks Formation with respect to the Elaine #34X-21BXC well.

Docket 119-2015
Continued from June 2015

APPLICANT: XTO ENERGY INC. – RICHLAND COUNTY, MONTANA

Upon the application of **XTO Energy Inc.** to pool all interests in the permanent spacing unit comprised of all of Sections 16 and 21, T24N-R56E, Richland County, Montana, for the production of oil and associated natural gas from the Bakken/Three Forks Formation with respect to the Elaine #34X-21BXC well.

Docket 140-2015
SHOW-CAUSE HEARING

RESPONDENT: CAVALIER PETROLEUM – TOOLE COUNTY, MONTANA

Upon the Board's own motion to require **Cavalier Petroleum** to appear and show cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to properly plug its wells or to provide a timeline for the proper plugging and reclamation of its wells.

Docket 141-2015
SHOW-CAUSE HEARING

RESPONDENT: COASTAL PETROLEUM COMPANY – VALLEY COUNTY, MONTANA

Upon the Board's own motion to require **Coastal Petroleum Company** to appear and show cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to perform surface reclamation on its State 7-16 well site located in T36N, R36E, Section 16, Valley County, Montana.

Docket 142-2015
SHOW-CAUSE HEARING

RESPONDENT: DANIELSON, PATRICIA – TOOLE COUNTY, MONTANA

Upon the Board's own motion to require **Danielson, Patricia** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to pay the administrative penalty assessed for delinquent reporting. In accordance with Board policy the amount due now is \$140.00. This docket will be dismissed if payment is received prior to the hearing. Failure to appear at the Show Cause hearing or to make suitable arrangements prior to said hearing subjects Danielson, Patricia to further penalties as prescribed by Board Policy.

Docket 143-2015
SHOW-CAUSE HEARING

RESPONDENT: MIOCENE OIL COMPANY – DANIELS COUNTY, MONTANA

Upon the Board's own motion to require **Miocene Oil Company** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to file production reports and to pay the administrative penalty assessed for delinquent reporting. In accordance with Board policy the amount due now is \$120.00. This docket will be dismissed if payment and reports are received prior to the hearing. Failure to appear at the Show Cause hearing or to make suitable arrangements prior to said hearing subjects Miocene Oil Company to further penalties as prescribed by Board Policy.

Docket 144-2015
SHOW-CAUSE HEARING

RESPONDENT: MONTANA OIL FIELD ACQUISITION I, LLC – TOOLE, TETON, & PONDERA COUNTY, MONTANA

Upon the Board's own motion to require **Montana Oil Field Acquisition I, LLC** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to file production reports and to pay the administrative penalty assessed for delinquent reporting. In accordance with Board policy the amount due now is \$360.00. This docket will be dismissed if payment and reports are received prior to the hearing. Failure to appear at the Show Cause hearing or to make suitable arrangements prior to said hearing subjects Montana Oil Field Acquisition I, LLC to further penalties as prescribed by Board Policy.

Docket 145-2015
SHOW-CAUSE HEARING

RESPONDENT: KYKUIT RESOURCES, LLC – BLAINE & FERGUS COUNTY, MONTANA

Upon the Board's own motion to require **Kykuit Resources, LLC** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to pay the administrative penalty assessed for delinquent reporting. In accordance with Board policy the amount due now is \$520.00. This docket will be dismissed if payment is received prior to the hearing. Failure to appear at the Show Cause hearing or to make suitable arrangements prior to said hearing subjects Kykuit Resources, LLC to further penalties as prescribed by Board Policy.

Docket 146-2015
SHOW-CAUSE HEARING

RESPONDENT: STATOIL OIL & GAS LP – RICHLAND & ROOSEVELT COUNTY, MONTANA

Upon the Board's own motion to require **Statoil Oil & Gas LP** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to file injection reports and to pay the administrative penalty assessed for delinquent injection reporting. In accordance with Board policy the amount due now is \$140.00. This docket will be dismissed if payment and reports are received prior to the hearing. Failure to appear at the Show Cause hearing or to make suitable arrangements prior to said hearing subjects Statoil Oil & Gas LP to further penalties as prescribed by Board Policy.

Docket 95-2015
SHOW-CAUSE HEARING
Continued from April 2015

RESPONDENT: KELLY OIL AND GAS, LLC – MUSSELSHELL COUNTY, MONTANA

Upon the Board's own motion to require **Kelly Oil and Gas, LLC** to appear and show cause, if any it has, why its plugging and reclamation bond covering the State E-2 well should not be forfeited and why additional penalties should not be imposed for failure to pay \$3,120.00 in current penalties and fees; for failure to maintain mechanical integrity on the State #1, State E-2, and Shelhamer 1A injection wells, for failure to initiate a remedy for the field violations prior to the May 21, 2015 hearing deadline for the Stensvad 2x-25 and Dybvik KV-1 wellsites, for failure to respond to prior show-cause orders, and for failure to file production and injection reports.

Docket 96-2015
SHOW-CAUSE HEARING
Continued from April 2015

RESPONDENT: ALTURAS ENERGY LLC – RICHLAND COUNTY, MONTANA

Upon the Board's own motion to require **Alturas Energy LLC** to appear and show cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline for the plugging its wells, and for failure to pay the fine assessed for not appearing at the Board's April 30, 2015 hearing.

Docket 97-2015
SHOW-CAUSE HEARING
Continued from April 2015

RESPONDENT: AUGUSTA EXPLORATION, LLC – LEWIS AND CLARK COUNTY, MONTANA

Upon the Board's own motion to require **Augusta Exploration, LLC** to appear and show cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline for plugging its Krone-Augusta 31-32 well, API # 25-049-21111, located in Section 32, T18N-R5W, Lewis and Clark County, Montana and why additional penalties shouldn't be assessed for failure to appear at the Board's April 30, 2015 hearing.

Docket 120-2015
SHOW-CAUSE HEARING
Continued from June 2015

RESPONDENT: PRIDE ENERGY COMPANY – ROOSEVELT COUNTY, MONTANA

Upon the Board's own motion to require **Pride Energy Company** to appear and show cause, if any it has, why it should not be required to immediately plug the Mable Wilson 1 well located in T27N-R59E, Section 33, Roosevelt County, Montana and restore the location.

Docket 121-2015
SHOW-CAUSE HEARING
Continued from June 2015

RESPONDENT: CUSTOM CARBON PROCESSING, INC. – WIBAUX COUNTY, MONTANA

Upon the Board's own motion to require **Custom Carbon Processing, Inc.** to appear and show cause, if any it has, why additional penalties should not be imposed for failure to maintain the wellsites of the Wojahn A 5-2 well located in Section 2, T13N-R60E, and the Michels A 8-3 well located in Section 3, T13N-R60E, Wibaux County, Montana.

BOARD OF OIL AND GAS CONSERVATION

Erin Ricci
Administrative Assistant