

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING
September 3, 1997

CALL TO ORDER

A regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman David Ballard at 2 p.m., Wednesday, September 3, 1997, at the Board's office at 2535 St. Johns Avenue in Billings, Montana.

Board members present were David Ballard, Stanley Lund, Dean Swanson, George Galuska, Denzil Young, Warren Ross, and Allen Kolstad. Staff members present were Tom Richmond, George Hudak, Jon Hjartarson, Rich Jacobson, Don Garrity, and Terri Perrigo.

MINUTES

Mr. Lund moved that the minutes of the July meeting be amended to: a) delete references to seconds of nominations for Vice Chairman; b) show that the oath of office was administered to Mr. Lund instead of Mr. Swanson; and c) change the township in the "Jim Halvorson" staff reports section to 23N instead of 23W. Mr. Swanson seconded the motion which carried unanimously. Mr. Lund's motion included approval of the minutes as so amended.

PUBLIC COMMENT

Chairman Ballard called for public comment but there was no response.

BOND REPORT

Mr. Rich Jacobson, Statistician, reported on new bonds, canceled bonds, and the difficulty he is having collecting the bond of Fred Klein because First Bank Helena indicated the CD was cashed three years ago. A copy of Mr. Jacobson's report is attached as Exhibit 1.

Amoco Production Company has a \$625,000 bond with Environmental Protection Agency (EPA) to cover 19 wells. They are requesting a \$150,000 bond with the Board to cover the same 19 wells. Mr. Richmond recommended that the bond be set at \$10,000 per well.

MOTION: Mr. Ross moved to require a \$190,000 bond from Amoco Production Company. Mr. Young seconded the motion which passed unanimously.

Croft Petroleum Company has a \$59,150 bond with the EPA to cover seven wells. Croft requests a \$50,000 bond with the Board to cover nine wells (the seven with EPA and two additional injection wells.)

MOTION: Mr. Galuska moved to approve Croft Oil Company's request for a \$50,000 bond. The motion was seconded by Mr. Swanson and passed unanimously.

FINANCIAL REPORT

Ms. Terri Perrigo, Executive Secretary, reported on the Board's financial condition. She noted that most of the Board's well plugging activities funded by grants are reflected in the other services expenditures, which explains why it appears the budget in that category is significantly overspent. A copy of Ms. Perrigo's report is attached as Exhibit 2.

BONDING COMMITTEE REPORT

Mr. Galuska reported that the bonding committee has not met since the July meeting, and had no report.

STAFF REPORTS

Mr. Richmond introduced the new UIC Coordinator, George Hudak. He then reported that four companies presently operating in the Kevin-Sunburst area are in the process of selling approximately 1100 wells to Secondary Oil Corporation of Ruidoso, New Mexico. Mr. Don Lee, attorney from Shelby, MT represents Secondary Oil Corporation, and told the Board that Secondary Oil Corporation operates in Arkansas, New Mexico, and Texas. He said the company swabs stripper wells, substantially reducing the costs of production. Mr. Lee told the Board that his client is concerned about the amount of the bond it might be required to post upon acquiring these wells.

MOTION: After discussion, Mr. Swanson moved that the minimum bonding the Board would require would be \$100,000 (four \$25,000 bonds), with each bond covering a quarter of the 1,000 non-federal wells to be operated by Secondary Oil Corporation. This amount would be subject to increase should the staff's investigation indicate a need for increased bonding. Mr. Galuska seconded the motion and it passed unanimously.

Mr. Richmond reported that the Board of Oil and Gas Conservation now has a home page on the Internet and is investigating the possibility of offering other services over the Internet.

Chairman Ballard relayed Senator Keating's request for information on grant requests and expenditures to illustrate to legislators the need for direct RIT appropriations to the Board and the inefficiency of the present system.

Mr. Richmond reported that he would be attending a ground water protection convention in Cleveland this month and that Mr. Hudack would be attending a UIC coordinator's meeting at Yellow Bay on Flathead Lake.

Mr. Halvorson presented a report on seismic permits and well drilling permits in Montana. A copy of that report is attached as Exhibit 3.

Mr. Hudak, the Board's new UIC Coordinator, reported that the EPA will be in Billings to evaluate the UIC program during the week of September 8. He also stated when the current CH2M Hill contract expires on October 1, 1997, another contract will be written, but they will be retained only for technical and data base support and will no longer be under contract to run the UIC program.

Mr. Hjartarson, Field Inspector Supervisor, reported he had gone to Utah to appear as a witness in the case of the State of Utah against Blackbird Energy but the hearing was canceled.

Ms. Perrigo reminded Board members to bring a list of dates they are unavailable during 1998 to the October meeting for her use in preparing next year's schedule. It was suggested that seven Board meetings be scheduled, the first in early February 1998; and that in the future Board meetings are not held in weeks shortened by holidays or during the 3rd week of October.

STAFF EVALUATIONS

After a short recess, the Board reconvened to perform evaluations of the exempt staff, Mr. Richmond and Mr. Halvorson.

MOTION: A motion was made by Mr. Galuska to increase Mr. Richmond's salary to \$65,000 per year, and Mr. Halvorson's salary to \$55,000 per year. The motion was seconded by Mr. Swanson and passed unanimously.

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday, September 4, 1997, in the conference room at the Billings Petroleum Club in the Sheraton Hotel, to hear the matters docketed for public hearing. As a result of the discussion, study, testimony, and technical data placed before the Board, the following action was taken in each matter.

Docket No. 96-97: The application of Hallwood Petroleum, Inc. was continued to the October hearing.

Docket No. 97-97: A motion was made by Mr. Lund, seconded by Mr. Swanson and unanimously passed, to approve the application of Hugoton Energy Corporation, as set forth in Board Order 81-97.

Docket No. 98-97: A motion was made by Mr. Kolstad, seconded by Mr. Swanson and unanimously passed, to dismiss the application of Hugoton Energy Corporation, as set forth in Board Order 82-97.

Docket No. 99-97: A motion was made by Mr. Kolstad, seconded by Mr. Swanson and unanimously passed, to dismiss the application of Hugoton Energy Corporation, as set forth in Board Order 83-97.

Docket No. 100-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 101-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 102-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 103-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 104-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 105-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 106-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 107-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 108-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 109-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

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Docket No. 111-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 112-97: A motion was made by Mr. Galuska, seconded by Mr. Ross and unanimously passed, to approve the application of Anderman Operating Company, Inc., as modified and set forth in Board Order 84-97.

Docket No. 113-97: A motion was made by Mr. Galuska, seconded by Mr. Ross and unanimously passed, to approve the application of Citation Oil & Gas Corp., as modified and set forth in Board Order 85-97.

Docket No. 114-97: A motion was made by Mr. Young, seconded by Mr. Galuska and unanimously passed, to dismiss the application of Crown Oil, Inc., without prejudice as set forth in Board Order 86-97.

Docket No. 115-97: A motion was made by Mr. Galuska, seconded by Mr. Lund and unanimously passed, to approve the application of Samedan Oil Corporation as modified and set forth in Board Order 87-97.

Docket No. 116-97: A motion was made by Mr. Swanson, seconded by Mr. Kolstad and unanimously passed, to approve the application of Croft Petroleum Co. as modified and set forth in Board Order 88-97.

Docket No. 117-97: A motion was made by Mr. Galuska, seconded by Mr. Lund and unanimously passed, to approve the application of Panterra Petroleum as set forth in Board Order 89-97.

Docket No. 118-97: A motion was made by Mr. Lund, seconded by Mr. Swanson and unanimously passed, to approve the application of Samedan Oil Corporation as set forth in Board Order 90-97.

Docket No. 119-97: A motion was made by Mr. Galuska, seconded by Mr. Young and unanimously passed, to approve the application of Samedan Oil Corporation as set forth in Board Order 91-97.

Docket No. 120-97: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed, to approve the application of UMC Petroleum Corporation as set forth in Board Order 92-97.

Docket No. 121-97: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed, to approve the application of UMC Petroleum Corporation as set forth in Board Order 93-97.

Docket No. 122-97: A motion was made by Mr. Kolstad, seconded by Mr. Swanson and unanimously passed, to approve the application of UMC Petroleum Corporation, as set forth in Board Order 94-97.

Docket No. 123-97: A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Union Pacific Resources Company as modified and set forth in Board Order 95-97.

Docket No. 124-97: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed, to approve the application of Lyco Operating Company, as set forth in Board Order 96-97.

Docket No. 125-97: The application of KeeSun Corporation was continued to the October hearing.

Docket No. 126-97: A motion was made by Mr. Kolstad, seconded by Mr. Swanson and unanimously passed, to continue to the October meeting and approve a portion of the application of Great Northern Drilling Company, as modified and set forth in Board Order 97-97.

Docket No. 127-97: The application of Branch Oil & Gas was continued to the October hearing.

Docket No. 128-97: The application of Tomahawk Oil Company was continued to the October hearing.

Docket No. 129-97 and 4-97 Fed: A motion was made by Mr. Galuska, seconded by Mr. Young and unanimously passed, to approve the application of Texaco Exploration and Production Inc., as set forth in Board Order 98-97.

Docket No. 130-97: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed, to approve the application of Tipperary Corporation, as modified and set forth in Board Order 99-97.

Docket No. 68-97: A motion was made by Mr. Young, seconded by Mr. Swanson and unanimously passed, to dismiss without prejudice the application of Ronald M. Sannes, as set forth in Board Order 100-97.

Docket No. 69-97: The application of Hugoton Energy Corporation was continued to the October hearing.

Docket No. 70-97: The application of Hugoton Energy Corporation was continued to the October hearing.

Docket No. 71-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 72-97: A motion was made by Mr. Young, seconded by Mr. Swanson and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, as set forth in Board Order 101-97.

Docket No. 73-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 74-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 75-97: The application of Burlington Resources Oil & Gas Company was continued to the October hearing.

Docket No. 88-97: The application of Panterra Petroleum was continued to the October hearing.

Docket No. 34-97: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Union Pacific Resources Company, as set forth in Board Order 102-97.

Docket No. 40-97: A motion was made by Mr. Kolstad, seconded by Mr. Galuska and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, as modified and set forth in Board Order 103-97.

Docket No. 93-97: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed to: a) require that all respondent's operations be brought into total compliance with all statutes, rules and regulations by 1 p.m. October 1, 1997; b) authorize the Board's administrator to determine if all operations are in full compliance at that time, and if he determines they are not, authorizing him to terminate all production from respondent's operations; and c) ordering that, should production be terminated, the termination shall remain in effect until further order of the board. This matter is set forth in Board Order 104-97.

Docket No. 94-97: A motion was made by Mr. Lund, seconded by Mr. Galuska and unanimously passed, requiring that: a) the bond of West Gas, Inc. be forfeited for its failure to plug the State 4-36 gas well; and b) staff review the operations of West Gas II, Inc., and Jerry Nelson and make a recommendation at the October business meeting whether the West Gas II, Inc. bond should be increased and whether the number of wells on the bond should be limited. This matter is set forth in Board Order 105-97.

Docket No. 131-97: A motion was made by Mr. Young, seconded by Mr. Galuska and unanimously passed, to: a) leave this docket open; b) require that Samedan Oil Corporation keep Board staff apprised of any changes in the condition of the well and/or plans to plug the well; and c) order that Samedan furnish a written report to the Board on the well status at the October business meeting. This matter is set forth in Board Order 106-97.

NEXT MEETING

The next business meeting of the Board will be October 29, 1997, at 2:00 p.m. at the Board's offices at 2535 St. Johns Avenue, Billings, Montana. The public hearing will be October 30, 1997, beginning at 8:00 a.m. in the Billings Petroleum Club, Sheraton Hotel, Billings, Montana. The filing deadline for the October 30, 1997 public hearing is Thursday, October 2, 1997.

The meeting adjourned at 5:30 p.m. on Thursday, September 4, 1997.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA



David Ballard, Chairman

ATTEST: 

Terri Perrigo, Executive Secretary

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