

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING
June 19, 1998

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, May 20, 1998, at the Board's office at 2535 St. Johns Avenue in Billings, Montana.

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

MINUTES

MOTION: Mr. Ross moved to accept the minutes of the April 1, 1998, business meeting. Mr. Young seconded the motion and it passed unanimously.

PUBLIC COMMENT:

Mr. Paul McCollum said Crown Oil wished to withdraw docket 52-98, which is scheduled for the May 21, 1998, public hearing.

Mr. Larry Tviet wanted an update on the Hatley well. Mr. Richmond said that would be done later in the meeting during the Ronald and Margaret Sannes violation of Board rules agenda item.

BOND REPORT

Mr. Rich Jacobson presented the bond report, which is attached as Exhibit 1.

Mr. Jacobson said Macom Energy has requested to be allowed to provide a combination surety bond and certificate of deposit as its multi-well bond. He said this hasn't been done in the past due to the potential problem of which to seize if the Board took the bond. Chairman Ballard said the Board wouldn't take part of a bond; and Mr. Galuska said statute now says the Board can take the full bond, instead of a partial bond like it said before.

MOTION: Mr. Kolstad moved to accept any combination of financial instruments to get to a required bond amount (i.e. certificates of deposit, surety bonds, letters of credit, etc); and that the Board will not seize partial bonds, it will seize all or nothing. The motion was seconded by Mr. Young and passed unanimously.

FINANCIAL REPORT

Ms. Terri Perrigo presented the financial report for the period July 1, 1997 through April 30, 1998, which is attached as Exhibit 2. Chairman Ballard suggested an analysis be done of tax revenue vs. UIC fee revenue compared to the cost of the individual programs, so in a year from now if the regulatory investment account is still growing the Board can look at reducing the tax rate.

RULE ADOPTION

Mr. Tom Richmond distributed the proposed notice of adoption for the amendment of A.R.M. 36.22.1308 pertaining to plugging and restoration bonds, which is attached as Exhibit 3. After the public hearing on the proposed amendment, no other comments were received during the remainder of the public comment period.

MOTION: Mr. Galuska moved to adopt the proposed rule change as amended to A.R.M. 36.22.1308 and that they be put into effect as soon as possible. The motion was seconded by Mr. Swanson and passed unanimously.

REPORT OF DATA PRESERVATION COMMITTEE

Mr. Earl Norwood presented the recommendations of the Data Preservation Committee, which are attached as Exhibit 4.

MOTION: Mr. Galuska made a motion to adopt the recommendations of the Data Preservation committee, and to implement them as soon as possible. Mr. Swanson seconded the motion and it passed unanimously.

ENFORCEMENT ACTION ON HALMANS FEDERAL 1-26 WELL

Mr. George Hudak said this item had been postponed.

INJECTION ISSUES

Mr. Hudak said there are four operators with injection wells that are not repaired or plugged and: a) are more than 180 days overdue on their MIT; or b) have failed an MIT more than 180 days ago. The list of these operators and the associated wells is attached as Exhibit 5.

Chairman Ballard requested that Vice-Chairman Young preside over this matter, as Hawley companies are two of the affected operators. He then excused himself from further participation in this matter.

MOTION: Mr. Galuska made a motion that a fine of \$100 per day per well be assessed immediately (starting May 20, 1998). If the wells are plugged or repaired with completed MIT's by the date of the next business meeting (July 15, 1998), the fine will be dropped. If the wells are not plugged or repaired with completed MIT's by that date, the fine will continue and the Board may consider additional penalties. The motion was seconded by Mr. Swanson and passed unanimously.

Mr. Hudak reported only two companies have still not paid their \$200 per well annual injection well fees: Hawley Oil (six wells) and Hawley Northrup (one well).

Once again, Chairman Ballard requested that Vice-Chairman Young preside over this matter, and excused himself from further participation.

MOTION: Mr. Swanson made a motion to give the Hawley companies until June 1, 1998, to submit their \$200 per well annual injection fee. If the fees are not paid by that time, a late payment assessment of \$100 per well will be imposed, the injection permits will be revoked, and the Board will consider taking the Hawley letter of credit at the next business meeting. A copy of the letter informing the Hawley companies of this decision shall also be sent to the Farmers State Bank in Conrad. Mr. Lund seconded the motion and it passed unanimously.

STAFF REPORTS

Mr. Steve Sasaki reported on Ron Sannes' violation of Board rules, which are outlined in the attached Exhibit 6.

MOTION: Mr. Lund made a motion to schedule a show cause hearing for July 16, 1998, to consider taking the Sannes' \$50,000 bond. Mr. Sannes can halt the show cause hearing by fixing all deficiencies, including payment of the fine on the Hatley #1 well which is in excess of \$35,000, by July 14, 1998. If by that date the fine is not paid and field inspectors cannot certify by that all deficiencies are corrected, the show cause hearing will be held. Mr. Galuska seconded the motion and it passed unanimously.

Mr. Sasaki reported he sent a letter to the bonding company holding Nor Am Exploration's bond. He received a call from a Ms. Linda Finkus from MBIA, the bonding company that assumed the original bonding company. On May 15, 1998, he sent her a copy of the letter and the information on this matter. She has not responded since.

MOTION: Mr. Young moved to schedule a show cause hearing on why the bond should not be forfeited for the July 16, 1998, public hearing. The motion was seconded by Mr. Lund and passed unanimously.

Mr. Sasaki said he, sent a letter to DNRC attorney Tommy Butler requesting that he begin proceedings to collect the fines assessed on the Smith Lease of Sherman and Vivian Holt. There is a \$10,000 certificate of deposit, and Mr. Sasaki wanted to know if the Board wanted to take the bond.

MOTION: Mr. Lund moved to schedule a show cause hearing for July 16, 1998, to consider taking the \$10,000 bond in place for the Smith Lease of Sherman and Vivian Holt. Mr. Young seconded the motion and it passed unanimously.

Mr. Jim Halvorson said in regard to Board Order 25-98 which certified the Hallwood Weigand 4-31 as a horizontally recompleted well, Hallwood has filed an amended completion report which adds three months of increment and results in an additional benefit to working and non-working interest owners.

MOTION: Mr. Swanson made a motion authorizing staff to amend Board Order 25-98 to show the correct recompletion date. Mr. Ross seconded the motion and it passed unanimously.

Mr. Don Garrity reminded the Board that his legal services contract expires June 30, 1998.

MOTION: Mr. Swanson moved to do a conference call on Thursday, June 11, 1998, at 10:00 a.m. to discuss renewal of Mr. Garrity's contract, and to advertise this conference call on the DNRC website for ten days prior to the conference call in order to meet the notice requirements. Mr. Lund seconded the motion and it passed unanimously.

Mr. Swanson moved to adjourn. Mr. Young seconded the motion and it passed unanimously.

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday, May 21, 1998, 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. 34-98: A motion was made by Mr. Young, seconded by Lund and unanimously passed, to approve the application of Continental Resources, Inc., as modified and set forth in Board Order 33-98.

Docket No. 35-98: The application of Continental Resources, Inc. was withdrawn.

Docket No. 36-98: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Continental Resources, Inc., as set forth in Board Order 34-98.

Docket No. 37-98: The application of Rigel Petroleum, Inc. was continued to the July 16, 1998, hearing.

Docket No. 38-98: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Redstone Gas Partners, LLC, as set forth in Board Order 35-98.

Docket No. 39-98: A motion was made by Mr. Ross, seconded by Mr. Kolstad and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 36-98.

Docket No. 40-98: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 37-98.

Docket No. 41-98: A motion was made by Mr. Swanson, seconded by Mr. Lund and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 38-98.

Docket No. 42-98: A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Klabzuba Oil & Gas, as modified and set forth in Board Order 39-98.

Docket No. 43-98: A motion was made by Mr. Lund, seconded by Mr. Young and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 40-98.

Docket No. 44-98: A motion was made by Mr. Kolstad, seconded by Mr. Galuska and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 41-98.

Docket No. 45-98: A motion was made by Mr. Ross, seconded by Mr. Young and unanimously passed, to approve the application of Klabzuba Oil & Gas, as set forth in Board Order 42-98.

Docket No. 46-98: A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Ocean Energy, Inc., as set forth in Board Order 43-98.

Docket No. 47-98: A motion was made by Mr. Swanson, seconded by Mr. Ross and unanimously passed, to approve the application of Ocean Energy, Inc., as set forth in Board Order 44-98.

Docket No. 48-98: A motion was made by Mr. Ross, seconded by Mr. Young and unanimously passed, to approve the application of Ocean Energy, Inc., as set forth in Board Order 45-98.

Docket No. 49-98: A motion was made by Mr. Ross, seconded by Mr. Swanson and unanimously passed, to approve the application of Ocean Energy, Inc., as set forth in Board Order 46-98.

Docket No. 50-98: A motion was made by Mr. Kolstad, seconded by Mr. Lund and unanimously passed, to approve the application of Samedan Oil Corporation, as set forth in Board Order 47-98.

Docket No. 51-98: A motion was made by Mr. Kolstad, seconded by Mr. Lund and unanimously passed, to approve the application of Great Plains Operating LLC, as set forth in Board Order 48-98.

Docket No. 165-97: A motion was made by Mr. Galuska, seconded by Mr. Swanson and unanimously passed, to approve the application of NRC Development, LLC, as set forth in Board Order 49-98.

Docket No. 166-97: A motion was made by Mr. Galuska, seconded by Mr. Swanson and unanimously passed, to approve the application of NRC Development, LLC, as set forth in Board Order 50-98.

Docket No. 10-98: The application of Upton Resources USA, Inc., was continued to the July 16, 1998, hearing.

Docket No. 23-98: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Samedan Oil Corporation, as set forth in Board Order 51-98.

Docket No. 24-98: The application of Tipperary Oil & Gas Corporation was withdrawn.

Docket No. 25-98: The application of Tipperary Oil & Gas Corporation was withdrawn.

Docket No. 26-98: A motion was made by Mr. Swanson, seconded by Mr. Galuska and unanimously passed, to approve the application of Tipperary Oil & Gas Corporation, as set forth in Board Order 52-98.

Docket No. 30-98: A motion was made by Mr. Kolstad, seconded by Mr. Young and unanimously passed, to approve the application of Manti Resources, Inc., as modified and set forth in Board Order 53-98.

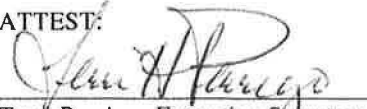
NEXT MEETING

The next business meeting of the Board will be July 15, 1998, at 2:00 p.m. at the Board's offices at 2535 St. Johns Avenue, Billings, Montana. The public hearing will be July 16, 1998, beginning at 8:00 a.m. in the Billings Petroleum Club, Sheraton Hotel, Billings, Montana. The filing deadline for the July 16, 1998, public hearing is Thursday, June 18, 1998.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA


David Ballard, Chairman

ATTEST:


Terri Perrigo, Executive Secretary

MONTANA BOARD OF OIL & GAS CONSERVATION

BOND ACTIVITY SUMMARY April 1, 1998 through May 20, 1998

APPROVED BONDS

Autry C. Stephens Midland, TX	1st Interstate Bank West Billings CD No. 1300014609	Amount \$10,000 Type Single-well Effective 3/23/98
Eagle Creek Colony Galata, MT	Norwest Bank - Shelby CD No. 9000008783	Amount \$5,000 Type Single-well Effective 4/29/98
Fuelco, Inc. Shelby, MT	1st State Bank - Shelby CD No. 3123	Amount \$2,100 Type UIC Single Effective 3/31/98
Fulton Fuel Co. Shelby, MT	1st State Bank - Shelby CD No. 1479	Amount \$5,800 Type UIC Single Effective 3/31/98
Fulton Fuel Co. Shelby, MT	1st State Bank - Shelby CD No. 1518	Amount \$11,400 Type UIC Limited Effective 3/31/98
Fulton Producing Company Shelby, MT	1st State Bank - Shelby CD No. 3122	Amount \$2,100 Type UIC Single Effective 3/31/98
Hawley Hydrocarbons Conrad, MT	1st State Bank of Shelby Letter of Credit No. 292A	Amount \$5,500 Type UIC Single Effective 4/1/98
Hawley Northrop Conrad, MT	Farmers State Bank - Conrad Letter of Credit No. 98-215	Amount \$4,000 Type UIC Single Effective 3/25/98
Hawley Oil Company Conrad, MT	Farmers State Bank Letter of Credit No. 98-214	Amount \$26,000 Type UIC Limited Effective 3/25/98

Lambert Saltwater Disposal, Inc. Lambert, MT	Stockman Bank - Sidney CD No. 303-002-009-6	Amount \$10,000 Type UIC Single Effective 4/1/98
Mull Drilling Company, Inc. Wichita, KS	American Casualty Company Surety No. 141797569	Amount \$25,000 Type Multi-well Effective 3/17/98
The Lowrance Company Cut Bank, MT	Farmers State Bank - Conrad CD No. 2395	Amount \$3,500 Type UIC Single Effective 3/27/98
WM Fulton, Oil Operator Shelby, MT	1st State Bank - Shelby CD No. 5173	Amount \$5,442 Type UIC Single Effective 3/31/98
WM Fulton, Oil Operator Shelby, MT	1st State Bank - Shelby CD No. 4795	Amount \$5,442 Type UIC Single Effective 3/31/98
WM Fulton, Oil Operator Shelby, MT	1st State Bank - Shelby CD No. 4517	Amount \$5,442 Type UIC Single Effective 3/31/98

CANCELLED BONDS

Berenergy Corporation Denver, CO	Continental Casualty Co. Surety No. 158577781	Amount \$50,000 Type UIC Limited Effective 5/18/98
Mountain Oil & Gas Co. Falls Church, VA	1st State Bank of Shelby CD No. 2174	Amount \$25,000 Type Multi-well Effective 4/6/98
Wm Herbert Hunt Trust Estate Dallas, TX	American Home Assurance Co. Surety No. 03-87-71	Amount \$10,000 Type Blanket Effective 4/24/98

CHANGES TO EXISTING BONDS

Headington Oil Company	American Mercury Insurance Co.	Amount \$25,000
Dallas, TX	Surety No. AMMT12001	Type Multi-well
Replacement bond for USF&G No. 56-0130-38013-95-8.		Effective 4/6/98

Lloyd & Patricia Danielson	Norwest Bank - Shelby	Amount \$10,000
Ferdig, MT	CD No. 9000008765	Type Blanket
CD replaced.		Effective 4/15/98

RIDERS TO EXISTING BONDS

Ocean Energy, Inc.	Underwriters Indemnity Co.	Amount \$25,000
Houston, TX	Surety No. B4242	Type Multi-well
Name changed from UMC Petroleum Corp.		Effective 3/27/98

PETRO-HUNT, LLC	Underwriters Indemnity Co.	Amount \$25,000
Dallas, TX	Surety No. B5114	Type Multi-well
Name changed from 'Wm Herbert Hunt Trust Estate'		Effective 4/7/98

PETRO-HUNT, LLC	Reliance Insurance Co.	Amount \$30,500
Dallas, TX	Surety No. U2720833	Type UIC Limited
Name changed from 'Wm Herbert Hunt Trust Estate'		Effective 4/7/98

**BOARD OF OIL AND GAS CONSERVATION
FINANCIAL REPORT
THROUGH APRIL 30, 1998
Percentage of Year Elapsed = 85%
(Payrolls = 78%)**

OIL & GAS APPROPRIATIONS/EXPENDITURES/FUNDING

EXPENDITURES	REGULATORY PROGRAM*			UIC PROGRAM**			TOTAL HB2 PROGRAM		
	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent
Salaries	501,402	266,722	53%	118,494	91,958	78%	619,896	358,680	58%
Other Comp	8,400	4,960	59%	0	44	0%	8,400	5,004	60%
Benefits	81,285	71,168	88%	19,208	22,651	118%	100,493	93,819	93%
Other Svcs	85,358	72,454	85%	100,000	64,481	64%	185,358	136,935	74%
Supplies	22,063	17,059	77%	8,150	2,728	33%	30,213	19,786	65%
Communications	30,983	23,784	77%	8,203	3,127	38%	39,186	26,912	69%
Travel	15,265	16,378	107%	11,500	7,246	63%	26,765	23,624	88%
Rent	19,100	11,720	61%	300	1,499	500%	19,400	13,219	68%
Utilities	9,380	6,063	65%	1,500	1,592	106%	10,880	7,654	70%
Repair/Maint	19,500	7,908	41%	5,410	1,823	34%	24,910	9,730	39%
Other Exps	11,486	7,520	65%	12,082	5,411	45%	23,568	12,931	55%
Equipment	16,118	16,402	102%	28,500	6,613	23%	44,618	23,016	52%
Debt Svc	59	837	1419%	0	0	0%	59	837	1419%
TOTAL	\$820,399	\$522,975	64%	\$313,347	\$209,173	67%	\$1,133,746	732,147	65%
FUNDING									
State Special Revenue	820,399	522,975		226,647	139,449		1,047,046	662,424	
Federal Funds	0	0		86,700	69,724		86,700	69,724	
TOTAL FUNDING	\$820,399	\$522,975		\$313,347	\$209,173		\$1,133,746	\$732,147	65%
	*includes leave, but not encumbrances			*includes leave, but not encumbrances					
Appropriation Balance	\$297,424			\$104,174			\$401,599		
Percentage Expended	64%			67%			65%		

OTHER APPROPRIATIONS/EXPENDITURES FROM STATE SPECIAL REVENUE ACCOUNT

DNRC Centralized Services	\$56,123	0
Department of Revenue	\$31,102	\$23,330

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT

	Year to Date FY 1998	Total FYE 1997	Percentage YTD98:FYE97
Oil Production Tax***	528,670	995,583	0.53
Gas Production Tax***	80,996	148,660	0.54
Penalty & Interest	214	1,599	0.13
Drilling Permit Fees	26,765	31,250	0.86
UIC Permit Fees	164,999	194,495	0.85
Enhanced Recovery Filing Fe	425	0	0.00
Interest on Investments	17,439	8,567	2.04
Copies of Documents	8,130	8,866	0.92
Database Services	0	1,308	0.00
Other	4,232	241	17.56
TOTALS	\$831,869	\$1,390,569	0.60

***adjusted for FY97 accruals and FY98 accrual reversals

INVESTMENT ACCOUNT BALANCES--April 30, 1998

Regulatory	\$508,205
Damage Mitigation	\$218,396

GRANT BALANCES--April 30, 1998

Name	Original Amt	Expended	Balance
Cat Creek	214,810	45,662	169,148
S. CutBank A	300,000	257,606	42,394
S. CutBank B	300,000	299,813	187
SL Grant	183,260	171,196	12,064
Devil's Basin	300,000	10,650	289,350
Balco	600,000	0	600,000
97A	164,222	0	164,222
TOTALS	\$2,062,292	\$784,926	\$1,277,366

BEFORE THE BOARD OF OIL AND GAS CONSERVATION
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
OF THE STATE OF MONTANA

In the matter of the amendment of Rule)
36.22.1308, pertaining to plugging and)
restoration bond)

NOTICE OF ADOPTION

TO: All Interested Persons

1. On March 12, 1998, the department published a notice at page 636 of the Montana Administrative Register, Issue No. 5, of the proposed amendment of the above captioned rules.

2. On April 2, 1998, a public hearing was held by the Board of Oil and Gas Conservation in the Petroleum Club of the Sheraton Hotel in Billings, Montana, to receive comments on the proposed amended rules. Eight individuals representing themselves or their companies or associations commented at the public hearing. One written comment was received through the April 8, 1998 deadline for written comments. The single written comment from Somont Oil Co., Ferdig, Montana was generally supportive of the proposed rule change. Oral comments at the public hearing from Shell Western E&P and the Montana Petroleum Association generally were supportive of the proposed rules.

COMMENT: Mr. Pat Montalban, MSR Exploration, and Mr. Kneelon Teague, Northern Montana Oil and Gas Association commented that increasing the "grandfathered" \$10,000 blanket bond to \$25,000 was not legal and the independent operators could not afford the increase. Several others (Messrs. Dan Mitchell, Joe Montalban, Carter Stewart) identified the proposed increase of "grandfathered" bonds as a financial burden on small operators.

RESPONSE: The underlying statute 82-11-123(5) MCA which states in part "the board shall require: ... the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well" provides more than permissive direction in setting bond amounts. "Good and sufficient" must be considered in the current context and when a change of circumstances renders a bond less than sufficient, it is the Board's obligation to review and make a new determination of sufficiency. The board, having considered the work of its ad hoc bonding committee, believes a \$25,000 bond is no longer sufficient financial assurance for unlimited numbers of new wells, and a \$10,000 blanket bond is even farther removed from sufficiency. The Board believes 82-11-123 MCA mandates its proposed rule. Nevertheless, the Board is sensitive to the possible financial burden on the smallest operators and will modify paragraph (c) of the proposed rules as follows:

(c) The owner or operator of existing wells covered by a multiple well bond in an amount less than \$25,000 must provide a new bond or a supplemental bond or rider to an existing bond to increase coverage to \$25,000. An operator may request a payment schedule of equal annual bond increases over a period not exceeding five years from the effective date of these rules. Such payment schedule may be approved administratively.

COMMENT: Mr. Teague and Mr. Mitchell commented on the word "penal" in the existing language of Rule 36.22.1308. Mr. Teague said the underlying statute had been modified some time ago to

E. EARL NORWOOD

STE 350 2708 1st Avenue North ~ Billings, Montana 59101

CERTIFIED PROFESSIONAL GEOLOGIST ~ CERTIFIED PETROLEUM GEOLOGIST

Telephone 406 252 9661

Fax Number 406 252 9661

April 15, 1998

Mr. David Ballard, Chairman
Oil and Gas Conservation Commission
Department of Natural Resources
2535 St. Johns Avenue
Billings, Montana 59102

Dear Dave

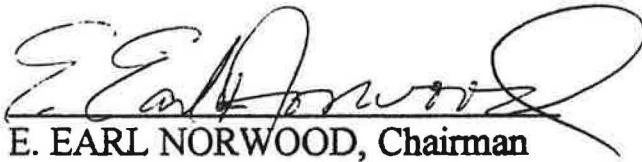
The Data Preservation Committee met April 14, 1998 at the Oil and Gas Commission office in Billings. Those in attendance were William Fulton, Robert Swinehart, James Halvorson and Earl Norwood, chairman. The purpose of the committee is to develop procedures that will prevent or discourage the unauthorized taking of materials from the files of the Commission libraries.

A logical sequence of control begins at the entrance to both the well file and well log libraries. It is recommended that:

1. -all visitors sign in on a sheet that subtly reminds that the theft of data from the Commission files is a crime.
2. -no brief cases be allowed beyond the receptionist's desk. There is a closet near the reception desk suitable for storage of brief cases. Several signs can be posted near the receptionist's desk as well as on the door to the well log library. These signs should also bear, in small letters, the warning that theft of data is a crime. (Sample sign enclosed).
3. -file-out index cards be supplied for the well log files to reduce the possibility of misfiling. Such cards are presently being used for the well files.

4. A sign be placed on the back exit to the well log library declaring it an emergency exit. An alternative would be an alarm device on the door.
5. The receptionists check all materials leaving either library area at the time that these reproduced materials are being paid for.

Respectfully submitted by the Data Preservation Committee


E. EARL NORWOOD, Chairman


WILLIAM M. FULTON


ROBERT SWINEHART


JAMES R. HALVORSON

**PLEASE, NO BRIEF
CASES BEYOND
THIS POINT**

**THE UNAUTHORIZED REMOVAL OF DATA FROM THE COMMISSION FILES IS
A CRIMINAL OFFENSE**

May 20, 1998

Wells which are either more than 180 days overdue, or which have failed an MIT more than 180 days ago, and are not repaired or plugged (operators of these wells received a reminder letter in December, 1997, and a registered enforcement letter in March of 1998):

Carrell	Govt. 2	overdue 8-22-96
Hawley-Northrup	Campbell 1	failed 9-13-94
Hawley Oil	Skov 5	failed 7-8-96
KCS	Yealey Shaw 4	failed 8-12-92

Margaret and Ronald Sannes
Problems Associated with Oil Leases and Production Facilities

Locations were video taped by BOGC inspector Darrel Hystad on April 21, 1998
Deficiency notices were written on the dates noted.

1. Hatley No.1
Section 10 T23N R54E
Richland County, Montana

Administrative Order 77-97 - Well order plugged, abandoned, and the site restored by October 24, 1997. Otherwise \$200.00 per day fine will be instituted, with no extensions for weather.

Well was plugged on October 9, 1997, by WISCO. Completed plugging operations on October 14, 1997.

Site restoration not completed by deadline of October 24, 1997.

The fines started October 25, 1997.

Hjartarson sent letter dated Nov. 17, 1997, notifying Sannes of fines of \$7,200.00 dollars as of Nov. 31, 1997.

Hjartarson sent letter dated Jan. 20, 1998, notifying Sannes of fines of \$13,600.00 dollars as of January 31, 1998.

As of May 6, 1998, I was on this location with Darrel Hystad, the location had not been restored completely as seen in the video.

Fines accumulated to May 20, 1998 has totaled **\$35,400.00 Dollars.**

2. Labonte 32-23
NE SW Section 32 T25N R57E
Richland County, MT

Board Order 10-97 - Requires Sannes to plug the Labonte 32-23 well not later than April 30, 1997. Video evidences indicates this well has not been plugged.

Video date April 21, 1997. Deficiencies noted as follows:

- A. No well sign 36.22.1202
- B. Old house possible fire hazard and 55 gallon drums on location

36.22.1101

3. Conoco Sundheim 29-1
SE SW Section 29 T25N R58E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. Incorrect well sign 36.22.1202
- B. Junk scattered over location, 55 gallon drums 36.22.1101
- C. Oil spill from stuffing box leak around wellhead 36.22.1104
- D. Oil spill from recycle pump 36.22.1104
- E. Oil and garbage in flare pit 36.22.1101 and 36.22.1104

4. Bailey 32-2
NW SE NW Section 32 T25N R58E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. Sign not correct and permanent 36.22.1202
- B. Oil spill from stuffing box leak around wellhead 36.22.1104

5. State 1-36
NE NE Section 36 T26N R57E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. 12/2/97 No well sign 36.22.1202
Garbage and oil in barrels by wellhead 36.22.1101
- B. 4/21/98 No well sign 36.22.1202
Oil by tanks and recycle pump 36.22.1104
Garbage scattered around location and oil around wellhead
36.22.1101

6. Trudell 1-6
NE SW SW Section 6 T26N R58E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

A. No well sign posted 36.22.1202

7. Maslowski 4-13
NW NW Section 13 T23N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. 12/30/97 No well sign posted 36.22.1202
B. 4/21/98 No well sign posted 36.22.1202
Oil around recycle pump, battery and treater 36.22.1104
Auto ignitor for flare not operational 36.22.1221

8. Iverson 1-13
NE NE Section 13 T23N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. No well sign posted 36.22.1202
B. Oil around tank valves and wellhead 36.22.1104

9. Propp 10-41X
SW NE NE Section 10 T23N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. No well sign posted 36.22.1202
B. Oil spilled on ground at load lines 36.22.1104
C. Oil in flare pit 36.22.1104
D. Flare is not operational 36.22.1221

10. Peterson 21-21
NW NE NW Section 21 T23N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. No well sign posted 36.22.1202

11. Fort Gilbert No.8
NE SW Section 32 T24N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. 1/22/98 No well sign posted 36.22.1202
Garbage and wood around location 36.22.1101
- B. 4/21/98 Oil in flare pit 36.22.1104
No well sign posted 36.22.1202
Garbage around battery 36.22.1101
Oil and garbage around location 36.22.1104
No flare, ignitor not operational 36.22.1221

12. Engen 1-A
NW NW Section 29 T25N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. Oil in dikes around treater 36.22.1104
- B. Oil in flare pit 36.22.1104
- C. Oil around recycle pump area 36.22.1104

13. Engen 1
NW NW Section 29 T25N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. Oil around wellhead 36.22.1104
- B. No well sign posted 36.22.1202

14. Vanderhoof 1-20
SW SW Section 20 T25N R59E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. No well sign posted 36.22.1202
- B. Garbage scattered around location 36.22.1104
- C. Oil spilled around wellhead and around location 36.22.1104

15. FLB Spokane No.3 SWD
SE SE Section 7 T22N R60E
Richland County, MT

Video taped April 21, 1998. Deficiencies noted as follows:

- A. 9/23/97 No monitoring devices 36.22.1415
No well sign posted 36.22.1202
Open pit 36.22.1207
Rubbish, old tires, and junk tank 36.22.1101
- B. 12/30/98 Same as A
- C. 4/21/98 Same as A
- D. 5/6/98 Same as A tank has been removed.

16. FLB Spokane No.1
NE SE Section 7 T22N R60E
Richland County, MT

Video taped 4/21/98. Deficiencies noted as follows:

- A. 9/23/97 Open 55 gallon drums of hazardous material 36.22.1207
Open 55 gallon drums of garbage 36.22.1101
No well sign posted 36.22.1202
Open pits 36.22.1207
Solids in tank 36.22.1104
Oily solids on location 36.22.1104
- B. 12/30/97 Same as A
- C. 4/21/98 Same as A. Oil spilled around wellhead and tanks 36.22.1104
Garbage scattered around location 36.22.1101

17. FLB Spokane No.1 Battery
C SE Section 7 T22N R60E
Richland County, MT

Video taped 4/21/98. Deficiencies noted as follows:

- A. 9/23/98 Oil around tanks 36.22.1104
No battery sign posted 36.22.1202
Open drums with hazardous materials 36.22.1207
Leaking tanks on battery site, leaking crude oil 36.22.1104
Tanks with holes storing oil on site 36.22.1101
Open flare pit with no ignitor 36.22.1227
- B. 12/30/97 Same as A. Oil soaked soil on location 36.22.1104
- C. 4/21/98 Same as B.

18. FLB Spokane No.4
SE NE Section 12 T22N R59E

Richland County, MT

Video taped 4/21/98. Deficiencies noted as follows:

- A. 9/23/97 Weeds and rubbish on location 36.22.1101**
 - No well sign posted 36.22.1202**
 - Oil in pit 36.22.1104**
 - Oily solids on location 36.22.1104**
- B. 12/30/97 Same as A.**
- C. 4/21/98 Same as A. Oil and rubbish around wellhead 36.22.1101**
 - Oil around tanks and recycle pump 36.22.1104**
 - Flare nonoperational 36.22.1221**

19. Buxbaum No.1
SE NE Section 27 T19N R56E
Dawson County, MT

Video taped 4/21/98. Deficiencies noted as follows:

- A. 12/30/97 Wood and weeds on location 36.22.1101**
 - No well sign posted 36.22.1202**
 - Open pit no facilities 36.22.1227**
 - Wellhead leaking saltwater and oil 36.22.1104**
- B. 4/21/98 Same as A.**

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

IN THE MATTER OF THE PLUGGING OF THE
HATLEY #1 WELL IN SECTION 10, T23N-R54E
(API #08321253)

ADMINISTRATIVE ORDER



Ron Sannes, operator of the captioned well, has advised the staff that said well will be plugged, abandoned, and the site restored by October 24, 1997.

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Ron Sannes plug and abandon said well and restore the site thereof on or before October 24, 1997.

IT IS FURTHER ORDERED that Mr. Sannes will be fined \$200 per day, beginning October 25, 1997, for each day plugging, abandonment, and site restoration for said well remains uncompleted; and no extension of the October 24, 1997 deadline will be granted because of weather.

Done and performed by the Board of Oil and Gas Conservation of the State of Montana, at Billings, the 9th day of July, 1997.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

David Ballard, Chairman

Denzil Young, Vice Chairman

Warren H. Ross, Board Member


Stanley Lund, Board Member

Dean A. Swanson, Board Member

George Galuska, Board Member

Allen Kolstad, Board Member

ATTEST


Terri Perrigo, Executive Secretary

Plugged 10-14-97
Ron Sannes began Reclamation
on location 10-22-97 with
his front end loader will
check progress 10-27-97

Darrell Keep an eye on this for me. Wisco says
they will do it next. they are plugging a well in
Rock Springs Wyo.

EH

Submit In Quadruplicate To:
Montana Board of Oil and Gas Conservation
Billings or Shelby Office

ARM 36.22.307,
1003, 1004, 1011,
1013, 1103, 1222,
1301, 1306, and 1309

Sundry Notices and Report of Wells

Operator Ronald M. Sannes		Lease Name: Montana Hatley #1
Address 2203 Montana Ave. P.O. Box 603		Lease Type (Private/State/Federal) Private
City Billings	State MT	Well Number: 1456
Zip Code 59103		Unit Agreement Name
Telephone Number (406) 248-1171 Telefax Number (406) 248-4858		Field Name or Wildcat: North Enid
Location of well (1/4-1/4 section and footage measurements): SE 1/4 NE 1/4 1880' FNL and 660' FEL		Section, Township, and Range: 10-23N-54E
If directionally or horizontally drilled, show both surface and bottom hole locations)		County: Richland
API Number: 25 0 8 3 2 1 2 5 3	Well Type (oil, gas, injection, other): Oil	
State MT County Richland Well 2508321253		

Indicate below with an X the nature of this notice, report, or other data:

Notice of Intention to Change Plans	<input type="checkbox"/>	Subsequent Report of Mechanical Integrity Test	<input type="checkbox"/>
Notice of Intention to Run Mechanical Integrity Test	<input type="checkbox"/>	Subsequent Report of Stimulation or Chemical Treatment	<input type="checkbox"/>
Notice of Intention to Stimulate or to Chemically Treat	<input type="checkbox"/>	Subsequent Report of Perforation or Cementing	<input type="checkbox"/>
Notice of Intention to Perforate or to Cement	<input type="checkbox"/>	Subsequent Report of Well Abandonment	<input checked="" type="checkbox"/>
Notice of Intention to Abandon Well	<input type="checkbox"/>	Subsequent Report of Pulled or Altered Casing	<input type="checkbox"/>
Notice of Intention to Pull or Alter Casing	<input type="checkbox"/>	Subsequent Report of Drilling Waste Disposal	<input type="checkbox"/>
Notice of Intention to Change Well Status	<input type="checkbox"/>	Subsequent Report of Production Waste Disposal	<input type="checkbox"/>
Supplemental Well History	<input type="checkbox"/>	Subsequent Report of Change in Well Status	<input type="checkbox"/>
Other (specify) _____	<input type="checkbox"/>	Subsequent Report of Gas Analysis (ARM 36.22.1222)	<input type="checkbox"/>

Describe Proposed or Completed Operations:

Describe planned or completed work in detail. Attach maps, well-bore configuration diagrams, analyses, or other information as necessary. Indicate the intended starting date for proposed operations or the completion date for completed operations.

Well plugged October 9, 1997, by WISCO, Williston ND.

For complete operation details, see attached plugging report.

BOARD USE ONLY	
Approved _____	Date _____
_____ Name	_____ Title

The undersigned hereby certifies that the information contained on this application is true and correct:	
Dec. 15, 1997 Date	<i>Ronald M. Sannes</i> Signed (Agent)
<i>Ronald M. Sannes</i> Print Name & Title	Owner



WILLISTON INDUSTRIAL SUPPLY CORP.

Telephone (701) 572-2135
FAX (701) 572-0684
Williston, ND 58802-2477

Post Office Box 2477 • Highway 2, North Williston

SERVING THE OIL FIELDS IN THE WILLISTON BASIN

P & A REPORT

10-09-97

Ron Sannes

Well: M.T.Haley #1

Mont O & G: Darrell Hystad

Rig 120

10-09-97: MIRU. TOOH and lay down rods as follows 1"-106 7/8"- 104 3/4"-182. MU BOP. TOOH with 313 jnts 2 7/8" tubing. PU and TIH with CICR. Set CICR @ 9847'. Spot balanced plug 9847'-9630'. TOOH spot 35 sx balanced plug 8900'-8600'. RU wireline, and perforate @ 5300'. Set CICR @ 5191'. Displace 50 sx under CICR. Spot 10sx on CICR. Cut and recover casing from 1184'. Spot 50 sx balanced plug 1258'- 1079'. Spot 25 sx @ surface. Cut off wellhead, weld on cap. RDMO. SDFN.

Approximately 11,300' of 5½" casing (from 12,500' to 1184') left in well



083-21253

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION



MARC RACICOT, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

January 20, 1998

Margaret and Ronald Sannes
P. O. Box 603
Billings, Montana 59103

RE: Hatley #1, well plug and abandonment, and reclamation.
Section 10, T23N, R54E.
Additional deficiencies attached.

Dear Mr. Sannes:

In regard to the above referenced well's surface restoration. When the Board of Oil and Gas Conservation (BOGC) met July 9, 1997, the BOGC ordered you to plug and abandon the well, and to restore the surface before October 24, 1997.

Since the location was not reclaimed by October 24, 1997, you are being fined \$200.00 per day until the location is reclaimed. The fine will continue until the area field inspector notifies the Billings office that the work is complete. The Board will not accept weather as a reason for not having the location reclaimed within the prescribed time.

Please notify the area field inspector when the work is complete. The field inspector will inspect and approve the site and notify the Billings office. Since fines have been assessed, you may request to be placed on the docket for hearing and come before the BOGC to ask that the fines be reduced or dropped.

You are being assessed a \$200.00 per day fine, payable on the first business day of each month at the BOGC's Billings office. The fine will continue until you notify the area field inspector or the Billings office that the work is complete. Darrell Hystad is the current field inspector. His phone number is 406-365-4325.

The current fine is due and payable upon receipt and there after each month's fine is due and payable on the first business day of each month at the BOGC's Billings office. The fine must be paid whether or not you ask the BOGC to reduce or drop the fine. Your current total is listed below:

DIVISION OFFICE
1625 ELEVENTH AVENUE
PO BOX 201001
HELENA, MONTANA 59620-1001
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-6993
(406) 664-0046

NORTHERN FIELD OFFICE
106 MAIN ST.
PO BOX 600
SHELLEY, MONTANA 59474-0600
(406) 434-2422

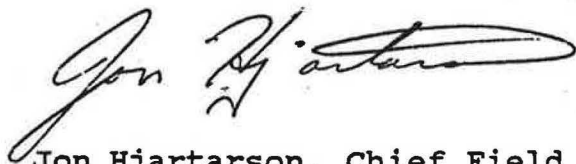
October 25 to October 31, 7 days @ 200.00/day = \$ 1,200.00
November 1 to November 30, 30 days @ 200.00/day = \$ 6,000.00
December 1 to December 31, 31 days @ 200.00/day = \$ 6,200.00
January 1 to January 31, 31 days @ 200.00/day = \$ 6,200.00
\$13,600.00

Your fine on February 1, 1998 if the work isn't complete by January 31, 1998 will be \$13,600.00. Please send in your fine on the first day of each month.

Five additional deficiencies are attached to this fine notification. Please resolve these deficiencies. When each location is in compliance, please sign and return the Field Inspection Report and return it to Darrell Hystad.

If you have any questions, please contact me at (406) 656-0040.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jon Hjartarson".

Jon Hjartarson, Chief Field Inspector

cc: Darrell Hystad

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION



MARC RACICOT, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

November 17, 1997

Margaret and Ronald Sannes
P. O. Box 603
Billings, Montana 59103

RE: Hatley #1, well plug and abandonment, and reclamation.
Section 10, T23N, R54E

Dear Mr. Sannes:

In regard to the above referenced well's surface restoration. When the Board of Oil and Gas Conservation (BOGC) met July 9, 1997, the BOGC ordered you to plug and abandon the well, and to restore the surface before October 24, 1997 (see attachment).

Since the location was not reclaimed by October 24, 1997, you are being fined \$200.00 per day until the location is reclaimed. The fine will continue until the area field inspector notifies the Billings office that the work is complete. The Board will not accept weather as a reason for not having the location reclaimed within the prescribed time.

Please notify the area field inspector when the work is complete. The field inspector will inspect and approve the site and notify the Billings office. Since fines have been assessed, you may request to be placed on the docket for hearing and come before the BOGC to ask that the fines be reduced or dropped.

You are being assessed a \$200.00 per day fine, payable on the first business day of each month at the BOGC's Billings office. The fine will continue until you notify the area field inspector or the Billings office that the work is complete. Darrell Hystad is the current field inspector. His phone number is 406-365-4325.

The current fine is due and payable upon receipt and there after each month's fine is due and payable on the first business day of each month at the BOGC's Billings office. The fine must be paid whether or not you ask the BOGC to reduce or drop the fine. Your current total is listed below:

October 25 to October 31, 7 days @ 200.00/day =	\$1,200.00
November 1 to November 30, 30 days @200.00/day =	<u>\$6,000.00</u>
	\$7,200.00

DIVISION OFFICE
1825 ELEVENTH AVENUE
PO BOX 201801
HELENA, MONTANA 59620-1801
(406) 444-4675

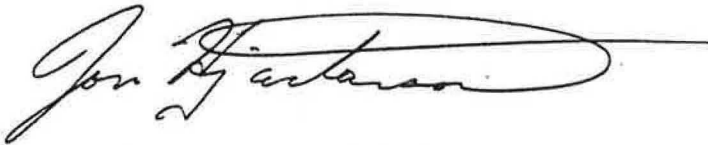
TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-4883
(406) 854-0040

NORTHERN FIELD OFFICE
166 MAIN ST.
PO BOX 688
SHELBY, MONTANA 59674-0888
(406) 434-2422

Your fine on December 1, 1997 if the work isn't complete by November 30, 1997 will be \$7,200.00.

If you have any questions, please contact me at (406) 656-0040.

Sincerely,

A handwritten signature in cursive script, reading "Jon Hjartarson". The signature is fluid and includes a long horizontal flourish extending to the right.

Jon Hjartarson, Chief Field Inspector

cc: Darrell Hystad

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

IN THE MATTER OF THE APPLICATION OF MARGARET AND
RONALD SANNES FOR AN ORDER AMENDING BOARD ORDER
50-96.

ORDER NO. 10-97

Docket 13-97

Report of the Board

The above entitled cause came on regularly for hearing on the 23rd day of January, 1997, in the Billings Petroleum Club, 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. 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. On July 25, 1996, this Board issued Board Order No. 50-96 which required Margaret and Ronald Sannes to do the following:

- 1) Furnish documentary evidence concerning its lease of the Peterson #21-21 well in Section 21, Township 23 North, Range 59 East, Richland County, Montana, not later than August 6, 1996.
- 2) Furnish a \$25,000 multiple well bond.
- 3) Plug the LaBonte #32-23 well in Section 32, Township 25 North, Range 57 East not later than January 25, 1997.
- 4) Plug the Maslowski #4-13 well in Section 13, Township 23 North, Range 59 East not later than January 25, 1997.

Margaret and Ronald Sannes did furnish the \$25,000 multiple well bond in a timely fashion. On December 19, 1996, Margaret and Ronald Sannes, through their counsel, applied to amend the order. The evidence indicates that Mr. Sannes has obtained permission from the surface and mineral owner of the property on which the Maslowski #4-13 well is located to develop and operate said well. The evidence also indicates that Margaret and Ronald Sannes have a contractual right to utilize the Peterson #21-21 well as a salt water disposal well. In their petition, applicants indicated that they were negotiating for the sale of the LaBonte #32-23 well but at the hearing they indicated that those negotiations had fallen through and they would plug that well when weather permitted and, in any event, not later than April 30, 1997.

3. Entering the following order will serve to protect correlative rights and be in the interest of conservation of oil and gas in the State of Montana.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Board Order No. 50-96 is amended as follows:

1. The order requiring the Peterson #21-21 well to be plugged by January 25, 1997 is vacated.

BOARD ORDER NO. 10-97 (Con't)

2. The order requiring Margaret and Ronald Sannes to plug the LaBonte #32-23 well not later than January 25, 1997 is amended to read that said well should be plugged not later than April 30, 1997.

3. The requirement of said order that the Maslowski #4-13 well be plugged not later than January 25, 1997 is vacated.

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 23rd day of January, 1997.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

Stanley Lund, Chairman

Dean A. Swanson, Vice Chairman

Warren H. Ross, Board Member

David Ballard, Board Member

George Galuska, Board Member

Denzil R. Young, Board Member

ATTEST:

Susan Kirley, Secretary