

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING

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, December 16, 1998, at the Board's office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Ballard, Denzil Young, Dean Swanson, Stanley Lund, George Galuska, Warren Ross and Allen Kolstad. Staff present were Tom Richmond, Jim Halvorson, George Hudak, Rich Jacobson, Terri Perrigo, Steve Sasaki and Don Garrity.

MINUTES

MOTION: Mr. Ross moved to adopt the minutes of the October 29, 1998, business meeting. Mr. Young seconded the motion and it passed unanimously.

PUBLIC COMMENT

There was no public comment.

BOND REPORT

Mr. Rich Jacobson presented the Bond Report, which is attached as Exhibit 1. Mr. Galuska said there is a proposal to increase the blanket bond amount for federal wells to \$75,000. Mr. Chun Wong, of the Bureau of Land Management, said that was correct and that public comments were currently being accepted on the proposed change.

FINANCIAL REPORT

Ms. Terri Perrigo distributed the financial report, which is attached as Exhibit 2. Chairman Ballard asked what we would tell the legislature if they questioned the need to keep vacant positions. Mr. Tom Richmond said two of the vacant positions are UIC field inspectors, which would need filled if industry activity increases. The other is the environmental coordinator, which would once again need to be filled if industry activity increased or a controversial permit application (like one to drill on the Rocky Mountain Front) was received.

STAFF REPORTS

Mr. George Hudak said bills for annual injection well fees had been mailed and payment is due January 31, 1999.

Mr. Hudak reported Merrill Hawley has not yet paid the \$1,000 fine levied on him per Board Order 92-98, which was due immediately upon issuance of the order. At this point, Chairman Ballard dismissed himself as presiding officer and left the room and Vice-Chairman Young took over. Mr. Hudak said he has had no contact with Mr. Hawley regarding this matter. Mr. Swanson suggested the matter be referred to the department attorney for collection. Mr. Garrity concurred. Staff was directed to contact Mr. Tommy Butler of the DNRC legal staff and have him proceed with collection activities.

Mr. Steve Sasaki distributed Exhibit 3 and brought up another Hawley issue. Merrill Hawley is discharging produced water to drainages at the HB Erickson and the State A batteries. Mr. Sasaki said he'd written Mr. Hawley a letter regarding the situation and contacted the department of Environmental Quality but the discharge is continuing. He recommended the Board wait until the February meeting to see if Mr. Hawley has complied before considering further action.

Mr. Lund asked if the Board could do anything now to shut in Mr. Hawley's production until the discharge ceases. Mr. Garrity said nothing can be done under the non emergency with notice statute until the Supreme Court rules on the Board's appeal of the District Court decision in that matter, and the emergency shut in ability is not applicable because the regulating agencies involved have not treated the discharge as an emergency.

Mr. Sasaki handed out Exhibit 4, a recap of the Balco Disposal project to date. At this time, Mr. Ballard returned and resumed his duties as Chairman. Mr. Sasaki said the Balco project, the cost of which is now estimated at over \$900,000, is about 70 percent complete. Mr. Garrity said he has determined there is no responsible party in the Balco project.

Mr. Lund asked if there were other sites like Balco the Board should know about. Mr. Sasaki said there is one pit in Glacier County at the Two Medicine Unit which could be problematic, but there is a responsible party. Chairman Ballard said the Board needs to be aware of sites like Balco or the Two Medicine Unit when putting together grant requests. Mr. Garrity suggested the Board invite the operator of the well in the Two Medicine Unit to the next business meeting to explain plans for this well. Staff was directed to contact the operator and request their appearance at the February 10, 1999, business meeting.

Mr. Sasaki then distributed Exhibit 5, which outlines Ron Sannes' activity since the September Board meeting. The State 1-36 well has not yet been plugged and restored, and needs to be complete by December 31, 1998. Mr. Sasaki reminded the Board if the work is not done by that time, the balance of the \$56,400 fine forgiven in Board Order 86-98 is reinstated.

Mr. Jim Halvorson handed out Exhibit 6, a listing of seismic permits issued to date.

Mr. Halvorson reported on the status of the shut-in well project. He said some responses were received after the letter was sent to operators of wells that hadn't produced for ten years or more asking them to develop a plan for plugging those wells. A number of respondents said they have wells still capable of producing if oil prices ever get to a point where it is profitable to do so. Mr. Halvorson said he will report on the responses at an upcoming Board meeting, but suggested the Board move cautiously and more slowly than originally envisioned on this project due to low oil prices.

Mr. George Galuska reported on two recent blowouts in the Havre area, one of which resulted in injuries and the destruction of a drilling rig. He asked if the Board has responsibility to ensure drilling procedures are handled properly and if so, what options exist to reduce the risk of someone being killed. Mr. Garrity said the Board does have responsibility because a blowout constitutes waste and the Board has to prevent waste. Mr. Sasaki said there have been other problems with high pressure in the Havre area north of Highway 2 and by the Rocky Boy turnoff. Mr. Galuska suggested staff tell drillers about the "difficult" areas on their permit approvals. Mr. Richmond agreed, particularly for drilling permits in Hill and Blaine counties. Staff was directed to include a statement on drilling permits for the areas where problems have been encountered. Mr. Garrity said such a statement would address the Board's responsibility.

Mr. Tom Richmond said Carrell Oil Company is delinquent since July, 1997, on submitting injection (Form 5) and production (Form 6) reports. He suggested the Board consider establishing a policy on delinquent reporters.

MOTION: Mr. Swanson moved to give Carrell Oil Company until the January 14, 1999, filing deadline for the February hearing to file delinquent Form 5's and 6's. If they are not received by then, a show cause order will be issued for Carrell Oil Company for the February 11, 1999, public hearing. Mr. Galuska seconded the motion and it passed unanimously.

Mr. Richmond then reported on upcoming legislative activities. He said Representative Roy Brown of Billings is carrying the bill the Division has before the Legislature that removes restrictions on priority grant expenditures. He asked if the Board was in support of the Toole County grant request for well plugging and the proposal to allow surety bonds for domestic gas wells.

MOTION: Mr. Lund moved to support the Toole County grant request. Mr. Galuska seconded the motion and it passed unanimously.

MOTION: Mr. Galuska moved to support the proposal to allow surety bonds for domestic gas wells. Mr. Swanson seconded the motion and it passed unanimously.

Mr. Richmond reported on the recent IOGCC meeting he attended in Salt Lake City. He said he has been appointed Vice Chairman of the Energy Resources, Research and Technology Committee. He also said Montana may get a grant to place interactive well and production data on the Internet. He also said IOGCC passed an initiative which has been sent to the President asking for federal action on proposed tax incentive legislation for marginal wells.

Chairman Ballard distributed Exhibit 7, outlining the Orphan Well Reclamation Program funding proposal. He said he spoke about the program and distributed the exhibit at a recent meeting of the Billings legislative delegation.

Chairman Ballard then asked if it would be appropriate for the Board to require a technical meeting between parties to a unitization application when they are not in agreement. He reminded the Board this situation arose at the October public hearing in regard to the Tyler Oil Company application, and felt the details upon which the disagreement was based should have been worked out beforehand. Mr. Richmond suggested a statement about this be added to the acknowledgment letter sent to applicants after their application has been received and docketed. Staff was directed to modify the letter to include such a statement.

Mr. Ross moved to adjourn. Mr. Kolstad seconded the motion and it passed unanimously.

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday, December 17, 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. 106-98 A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Ocean Energy Resources, Inc., as set forth in Board Order 97-98.

Docket No. 107-98 The application of Continental Resources, Inc. was withdrawn.

Docket No. 108-98 A motion was made by Mr. Kolstad, seconded by Mr. Lund and unanimously passed, to approve the application of Chesapeake Operating Inc., as set forth in Board Order 98-98.

Docket No. 110-98 The application of Fulton Fuel Company was continued to the February 11, 1999, hearing.

Docket No. 111-98 The application of Enron Oil & Gas Company was continued to the February 11, 1999, hearing.

Docket No. 112-98 The application of Decker Operating Company, LLC was continued to the February 11, 1999, hearing.

Docket No. 113-98 The application of Decker Operating Company, LLC was continued to the February 11, 1999, hearing.

Docket No. 114-98 The application of Decker Operating Company, LLC was continued to the February 11, 1999, hearing.

Docket No. 115-98 The application of Decker Operating Company, LLC was continued to the February 11, 1999, hearing.

Docket No. 83-98 A motion was made by Mr. Galuska, seconded by Mr. Swanson and unanimously passed, to approve the application of Chesapeake Operating Inc., as set forth in Board Order 100-98.

Docket No. 84-98 A motion was made by Mr. Kolstad, seconded by Mr. Galuska and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 101-98.

Docket No. 85-98 A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 102-98.

Docket No. 86-98 A motion was made by Mr. Swanson, seconded by Mr. Ross and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 103-98.

Docket No. 87-98 A motion was made by Mr. Lund, seconded by Mr. Young and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 104-98.

Docket No. 88-98 A motion was made by Mr. Kolstad, seconded by Mr. Swanson and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 105-98.

Docket No. 89-98 A motion was made by Mr. Young, seconded by Mr. Galuska and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 106-98.

Docket No. 90-98 A motion was made by Mr. Swanson, seconded by Mr. Young and unanimously passed, to approve the application of Chesapeake Operating, Inc., as set forth in Board Order 107-98.

NEXT MEETING

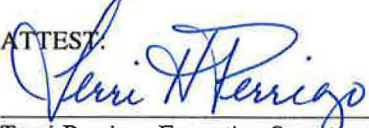
The next business meeting of the Board will be February 10, 1999, at 2:00 p.m. at the Board's office at 2535 St. Johns Avenue, Billings, Montana. The public hearing will be February 11, 1999, beginning at 8:00 a.m. in the conference room of the Billings Petroleum Club, Sheraton Hotel, Billings, Montana. The filing deadline for the February 11, 1999, public hearing is Thursday, January 14, 1999.

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

October 28, 1998 through December 15, 1998

APPROVED BONDS

Berexco, Inc. Wichita, KS	Continental Casualty Co. Surety No. 159261831	Amount \$50,000 Type Multi-well Effective 10/15/98
Decker Operating Company, LLC Houston, TX	The Ohio Casualty Insurance Co. Surety No. 3-491-629	Amount \$50,000 Type Multi-well Effective 11/12/98
Landtech Enterprises Ltd Co. Sidney, MT	Norwest Bank, Sidney CD No. 8000009352	Amount \$10,000 Type UIC Single Effective 10/9/98
Sands Oil Company Billings, MT	1st State Bank of Shelby CD No. 784410-2694	Amount \$1,500 Type Single-well Effective 12/4/98
Tyler Oil Company Billings, MT	Firemans's Fund Insurance Co. Surety No. 111 1944 3908	Amount \$10,000 Type UIC Single Effective 10/29/98

CANCELLED BONDS

Anderman Operating Co., Inc. Denver, CO	Underwriters Indemnity Co. Surety No. B05626	Amount \$25,000 Type Multi-well Effective 12/1/98
C.B. Moncrief Casper, WY	Hartford Fire Insurance Co. Surety No. 46SUN338862	Amount \$10,000 Type Single-well Effective 12/7/98
Edsel Schilling Sidney, MT	Norwest Bank, Sidney CD No. 8000009317	Amount \$10,000 Type UIC Single Effective 12/1/98

Mont-Milr Operating Co. Great Falls, MT	Gulf Insurance Group Surety No. 57 87 65	Amount \$10,000 Type Blanket Effective 11/17/98
Outlook Petroleum Corp. Midland, TX	Norwest Bank Billings CD No. 9000038623	Amount \$10,000 Type UIC Single Effective 11/12/98
Spence Accounts, Inc. Billings, MT	Norwest Bank Billings CD No. 646827	Amount \$25,000 Type Multi-well Effective 12/10/98
Triple C Oil Producers, Inc. Casey, IL	US Fidelity & Guaranty Co. Surety No. 31-0130-11400-93-5	Amount \$25,000 Type Multi-well Effective 11/9/98

RIDERS TO EXISTING BONDS

CamWest Limited Partnership Denver, CO (Rider increases bond amount to \$50,000)	Continental Casualty Co. Surety No. 137586745	Amount \$50,000 Type Multi-well Effective 11/10/98
Chesapeake Operating, Inc. Oklahoma City, OK (Rider increases bond amount to \$50,000)	Underwriters Indemnity Co. Surety No. B7759	Amount \$50,000 Type Multi-well Effective 10/30/98
Hallwood Petroleum, Inc. Denver, CO (Rider increases bond amount to \$50,000)	Reliance Insurance Co. Surety No. B1729372	Amount \$50,000 Type Multi-well Effective 12/1/98
Millicent C. Carnell Lewistown, MT (Rider changes Principal's address in Lewistown)	US Fidelity and Guaranty Co. Surety No. 28-0130-01441-60-6	Amount \$10,000 Type Blanket Effective 10/31/98
Montana Power Gas Company Butte, MT (Rider increases bond amount to \$50,000)	Reliance Insurance Company Surety No. B2814978	Amount \$50,000 Type Multi-well Effective 12/3/98

REPLACEMENT BONDS

Chesapeake Operating, Inc.	Underwriters Indemnity Co.	Amount	\$25,000
Oklahoma City, OK	Surety No. B7759	Type	Multi-well
(Aetna Casualty & Surety policy No. 71S 101070812BCM released)		Effective	9/28/98

HS Resources, Inc.	Travelers Casualty & Surety Co	Amount	\$25,000
Denver, CO	Surety No. 101144304	Type	Multi-well
(US Fire Insurance Co. policy #6102086346 released)		Effective	10/12/98

SUSPENDED BONDS

JP Johnson, Petroleum Producers Inc	Reliance Surety Co.	Amount	\$10,000
Miles City, MT	Surety No. B21 06 84	Type	Blanket
		Effective	10/30/98

**BOARD OF OIL AND GAS CONSERVATION
FINANCIAL REPORT
Through November 30, 1998*
Percentage of Year Elapsed: 42%
(Payrolls: 36%)**

OIL & GAS APPROPRIATIONS/EXPENDITURES/FUNDING

	REGULATORY PROGRAM			UIC PROGRAM			TOTAL HB2 PROGRAM		
FTE (authorized by legislature)	17.25	15.00		3.25	1.00				
	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent
EXPENDITURES									
Salaries	446,982	122,037	27%	151,147	41,277	27%	598,129	163,314	27%
Other Comp	7,728	2,091	27%	672	159	24%	8,400	2,250	27%
Benefits	125,595	33,580	27%	40,426	10,812	27%	166,021	44,392	27%
Vacancy Savings	(16,346)			(5,394)			(21,740)		
Other Svcs	89,453	30,569	34%	70,247	11,215	16%	159,700	41,784	26%
Supplies	34,335	4,275	12%	20,621	1,369	7%	54,956	5,643	10%
Communications	32,054	10,485	33%	7,132	2,333	33%	39,186	12,818	33%
Travel	26,829	5,873	22%	13,790	920	7%	40,619	6,792	17%
Rent	14,576	4,227	29%	4,720	1,294	27%	19,296	5,521	29%
Utilities	12,210	2,980	24%	3,954	949	24%	16,164	3,929	24%
Repair/Maint	16,552	2,917	18%	5,360	1,049	20%	21,912	3,966	18%
Other Exps	15,254	5,258	34%	7,298	2,516	34%	22,552	7,774	34%
Equipment	19,259	0	0%	0	0	0%	19,259	0	0%
Debt Svc	0	0	0%	0	0	0%	0	0	0%
TOTAL	\$824,481	\$224,292	27%	\$319,973	\$73,891	23%	\$1,144,454	298,183	26%
FUNDING									
State Special Revenue	824,481	224,292		209,973	43,010		1,034,454	267,302	
Federal Funds	0	0		110,000	30,882		110,000	30,882	
TOTAL FUNDING	\$824,481	\$224,292		\$319,973	\$73,891		\$1,144,454	\$298,183	26%
Appropriation Balance	\$600,189			\$246,082			\$846,271		
Percentage Expended	27%			23%			26%		

OTHER APPROPRIATIONS/EXPENDITURES FROM STATE SPECIAL REVENUE ACCOUNT

DNRC Centralized Services	\$57,034	0
Department of Revenue	\$31,764	8,130

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT

	Year to Date FY 1999	Total FYE 1998	Percentage YTD99:FYE98
Oil Production Tax**	141,440	614,788	0.23
Gas Production Tax**	35,053	120,833	0.29
Penalty & Interest	91	231	0.39
Drilling Permit Fees	10,100	34,690	0.29
UIC Permit Fees	0	170,599	0.00
Enhanced Recovery Filing Fee	0	425	0.00
Interest on Investments	12,162	21,579	0.56
Copies of Documents	2,838	9,961	0.28
Database Services	0	74	0.00
Other	91	4,356	0.02
TOTALS	\$201,776	\$977,536	0.21

INVESTMENT ACCOUNT BALANCES--Nov. 30, 1998

Regulatory	\$428,886
Damage Mitigation	\$226,743

GRANT BALANCES--December 15, 1998

Name	Authorized Amt	Expended	Balance
Cat Creek	214,810	45,676	169,134
S. CutBank A	257,610	257,610	0
S. CutBank B	300,000	300,000	0
SL Grant	183,260	163,155	20,105
Devil's Basin	342,390	253,010	89,380
Balco	600,000	210,704	389,296
96A	164,222	0	164,222
TOTALS	\$2,062,292	\$1,230,154	\$832,138

*Except grant balances, which are as of 12-15-98 to reflect payments not included on November 30, 1998 SBAS

**FYE 1998 modified to include FY97 negative accrual adjustment: oil = (175,923), gas = (29,456)

Financial statements submitted to BOCG in FY98 excluded negative accrual adjustment for comparison with cash-basis FY97 data

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HAWLEY OIL COMPANY SAGA

BOGC Business Meeting 12/16/98

- 5/20/98 BOGC business meeting 4 operators had wells that had failed MIT more than 180 days prior to that date and had not been plugged or repaired. The BOG assessed a \$100 per day fine starting May 20, 1998, but if the well were repaired with a MIT by July 15, 1998, the fine would be dropped. If the well were not plugged or repaired with MIT by July 15, 1998, the fine would continue and the **BOG would consider additional penalties.**
- 7/15/98 BOGC business meeting BOG was told Mr. Hawley had not plugged or passed MIT on his Campbell No.1 injection well. His fine for failure to do this is now \$5,700. The accruing \$100 per day fine is stopped at \$5,700. The BOG decided that if Mr. Hawley plugged and abandoned his well by August 1, 1998, the fine would be forgiven
- 8/28/98 Mr. Hawley completes plugging and abandoning, his Campbell No.1 injection well.
- 9/02/98 BOGC business meeting, BOG decides that Mr. Hawley had not completed plugging of his Campbell No.1 injection well by the August 1, 1998 deadline. A fine was assessed of \$5,700.
- 10/29/98 BOGC Hearing Docket 101-98. BOGC abates \$5700 fine to \$1000 fine by Order 92-98, **payment due immediately.**
- 11/16/98 Field inspection done on the Hawley Oil Company, HB Erickson battery, NE SW Section 3 T27N R4W, found water being discharged to drainage from evaporation pit. Violating BOGC Rule 36.22.1226 and DEQ water discharge without a "Discharge Permit" MCA 75-5-605. Stop discharge order sent from Shelby Office. DEQ notified 11/18/98 of the illegal discharge.
- 11/19/98 Field inspection done on the Hawley Oil Company, State A battery, SE SE Section 16 T27N R4W and Hirshberg battery, NW NE Section 22 T27N R4W found produced water being discharging off the lease down natural drainages in violation of BOGC Rule 36.22.1226 and DEQ "Discharge Permit" MCA 75-5-605. Pondera County Sanitarian also witnessed discharges at all three batteries. See attached reports.
- 12/15/98 To date BOG **fine assessed per Order 92-98 has not been paid.** Water continues to be discharged at 2 leases, HB Erickson and State A. Water has been directed to 2nd pit on the Hirshberg lease for now.

BALCO DISPOSAL UPDATE

11/23/98	First crude oil material shipped off Balco site to NewAlta Corporation.
11/24/98	Trucked to NewAlta
11/25/98	Trucked to NewAlta
11/26/98	Shut down for NewAlta and Thanksgiving
11/27/98	Trucked to NewAlta
11/28/98	Trucked to NewAlta
11/29/98	Shut down for NewAlta
11/30/98	Trucked to NewAlta
12/01/98	Trucked to NewAlta
12/02/98	Trucked to NewAlta
12/03/98	Trucked to NewAlta
12/04/98	Trucked to NewAlta
12/05/98	Shut down for weather
12/06/98	Shut down for weather
12/07/98	Trucked to NewAlta
12/08/98	Trucked to NewAlta
12/09/98	Trucked to NewAlta
12/10/98	Trucked to NewAlta. Pit solidified with cement.
12/11/98	Trucked to NewAlta. Pit liner folded over top of solidified pit material, and 4' to 5' of soil cover pushed in and leveled. Small pit left for Norm contaminated scale.
12/12/98	Trucked to NewAlta
12/12/98	NewAlta has processed 17,742.3 bbls of crude oil material.

Breakdown	<u>Total Vol.</u>	<u>Oil</u>	<u>Water</u>	<u>Solids</u>	<u>Ave. P&D</u>
	17742.3 bbls	4802.3 bbls	7156.0 bbls	5784.0 bbls	\$17.22/bbl.*

Cost Estimate to date \$856,000. Cost over run due to the following:

1. Cost to dispose additional crude oil material. Original estimate for crude oil material on site was 16,000 bbls. New estimate will be 18,500 bbls. on site.
2. Original estimated fluids and solids from sampling indicated more fluid. Final breakdown after separating indicates more solids than anticipated. Solids disposal costs were \$23.50/bbl.
3. DEQ required solids to be left in Canada. Original plans were to return solids to Balco Disposal Site for solidification in pit for \$8.00/bbl.
4. Cost Estimate to completion \$900,000 +.

* Does not include trucking, brokerage, tank rental, hot oiling, and vacuum truck service.

BALCO DISPOSAL SITE RESTORATION

RFP # OG-RFP-081

CONTRACT # OG-CI-081

GRANT AMOUNT MAXIMUM \$600,000

RESPONSIBILITY CENTER: 225

ACCOUNTING ENTITY NAME: RDGP SPECIAL REVENUE ACCOUNT

ACCOUNTING ENTITY #02458

APPROPRIATION AUTHORITY: 28299

R.C. #3432

CONTRACTOR: Remediation Technologies, Inc. (RETEC)

EMPLOYER I.D. NO. O4-2896814

Invoice Date	Invoice No.	Bill Date	Invoice Amount
10/26/98	10980044	October	\$ 210,647.80
12/7/98	11980138	November	\$ 147,644.30

add 156

210703.80

Total Inv. Cost to Date \$ 358,292.10

12/14/98 MON 17:25 FAX 1 308 458 2774

NEWALTA HALBRITE

004

Generator: Thermoretec Consulting Corporation
 LSD: Bakco
 Carrier Name: Ferrell Transport
 Date: November 23 - December 12, 1998

Bill of Lading #	Date	Volume (bbl)	Oil (bbl)	Water (bbl)	Solids (bbl)	Process Fee (\$)	Water Disposal (\$)	Solids Disposal (\$)	Oil Disposal (\$)	Brokerage Fee	Tank Rentals	Grand Total
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Totals		17742.3	4802.3	7156.0	5784.0	\$124,196.10	\$14,312.00	\$135,924.00	\$31,214.95	\$5,700.00	\$28,600.00	\$339,947.05
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114 loads
 22 Tank Rentals

160
 5
 + 800 461

Hand
 + 5
 lines
 12 Dec

RON SANNES CHRONOLOGY SINCE SEPTEMBER 3, 1998 BOGC HEARING

BOGC Business Meeting 12/16/98

- 9/14/98 \$2,500 fine paid before 9/15/98 deadline set by Board Order 86-98.
- 11/17/98 Notified Mr. Sannes that the saltwater spill in July of 1998 on the Bailey 32-2 lease needs to be address. Since the crop has long since been harvested, there was no reason why he could not clean it up.
- 12/7/98 Notified Mr. Sannes that an oil spill had occurred on his Federal Land Bank of Spokane No.1 lease, which needs to be reported and cleaned up.
- Called by Keith Carver, Titan Oil Well Service about bidding plugging program for the Ron Sannes, State 1-36 well; which, must be plugged and restored by 12/31/98 per Board Order 86-98 or if the well is not plugged and restored the balance of the \$56,400 fine will be due.
- 12/11/98 To date nothing has been done to the State 1-36 well location, saltwater spill on the Bailey 32-2 lease not cleaned up yet, and oil spill on the Federal Land Bank of Spokane No.1 has had nothing done for cleanup, per Darrel Hystad.
- Spill report received from Ronald M. Sannes for the Federal Land Bank of Spokane No.1 lease. Stating 49 bbls. of fluid were lost to the emergency diked area, with a small amount reaching the lease road. Cleanup proposed by the end of January 1999.
- Received a call from Wisco concerning plugging of State 1-36 well of Ronald Sannes, stating negotiating with Mr. Sannes for plugging.
- 12/15/98 Received a call from Titan Oil Well Service, Keith Carver, stating Mr. Sannes could not come to an agreement on payment with him. So Titan Oil Well Service was no longer negotiating to plug Mr. Sannes well.

SEISMIC PERMITS

<u>DATE RECEIVED</u>	<u>COUNTY</u>	<u>COMPANY NAME</u>	<u>AREA COVERED</u>
2-25-98	Valley	Western Geophysical	30-31N, 43-44E
2-26-98	Phillips	Reliable Exploration, Inc.	31-34N, 31-34E
3-17-98	Carbon	Veritas DGC Land (USA)	5-6S, 17-18E
3-17-98	Carbon	Veritas DGC Land (USA)	7S, 21-22E
3-24-98	Richland	Veritas DGC Land (USA)	27N, 56E
3-24-98	Sheridan	Veritas DGC Land (USA)	33N, 59E
3-31-98	Phillips	Reliable Exploration, Inc.	32N, 33E
4-6-98	Chouteau	Reliable Exploration, Inc.	23-25N, 11-12E
4-10-98	Hill	Solid State Geophysical	33-36N, 13-16E
4-14-98	Blaine	Solid State Geophysical	33-34N, 17-19E
4-14-98	Hill	Solid State Geophysical	34-36N, 17-18E
7-31-98	Chouteau	Reliable Exploration, Inc.	23-25N, 11-12E
8-6-98	Richland	Reliable Exploration, Inc.	25-26N, 54-55E
8-26-98	Richland	Reliable Exploration, Inc.	25-26N, 54-55E
9-11-98	Roosevelt	Reliable Exploration, Inc.	27N, 57E
9-14-98	Blaine	Solid States Geophysical	32-34N, 17-19E
9-17-98	Sheridan	Venture Seismic Ltd.	37N, 52-53E
9-22-98	Roosevelt	Reliable Exploration, Inc.	27N, 57E
9-22-98	Roosevelt	Dawson Geophysical Company	32N, 48-49E
10-5-98	Hill	Solid States Geophysical	33-34N, 14-15E
10-14-98	Musselshell	Geco/Prakla	11N, 29-30E
10-21-98	Richland	Reliable Exploration, Inc.	21-22N, 58-59E
10-30-98	Richland	Reliable Exploration, Inc.	21-22N, 58-59E
11-2-98	Blaine	Solid State Geophysical	34N, 17-58E
11-9-98	Blaine	Solid State Geophysical	27N, 18-19E
11-18-98	Roosevelt	Reliable Exploration, Inc.	27N, 57-58E
11-18-98	Hill	Solid State Geophysical	29-32N, 14-15E
11-18-98	Hill	Solid State Geophysical	36N, 14-16E
12-8-98	Rosebud	Geco/Prakla	12N, 33E

Montana Board of Oil and Gas Conservation

Funding Proposal for the Orphan Well Reclamation Program

November 23, 1998

OVERVIEW

- Board efforts in studying orphan well plugging liability and related Board policy
- Current estimates of orphan wells and plugging liability
- Budget proposal and oversight plan for orphan well reclamation program

BOARD EFFORTS OVER THE PAST THREE YEARS

- Shut-in Well Committee
 - ⇒ Purpose - study State's liability for abandoned wells and recommend action which would reduce present and future liability
 - ⇒ Primary Recommendation - long term reclamation program for orphan wells which is capable of plugging known orphans over a period of approximately ten years.
- Bonding Committee
 - ⇒ Purpose - re-evaluate bonding requirements and recommend changes that give an appropriate level of guarantee that operators will operate prudently and not default on plugging responsibility.
 - ⇒ First Recommendation - Passed by the Board after a public hearing in December.
 - ⇒ Board Action - 1) Upward revision of bonding levels- minimum of \$25,000 for a statewide bond.
2) Rule change limiting the ability of an operator to have large numbers of idle wells on a lease so long as one well on the lease is producing.
- Reclamation Activity
 - ⇒ Increasing expenditures since 1989, funded through RIT grants.
 - ⇒ 141 wells reclaimed.

ORPHAN WELL RECLAMATION LIABILITY

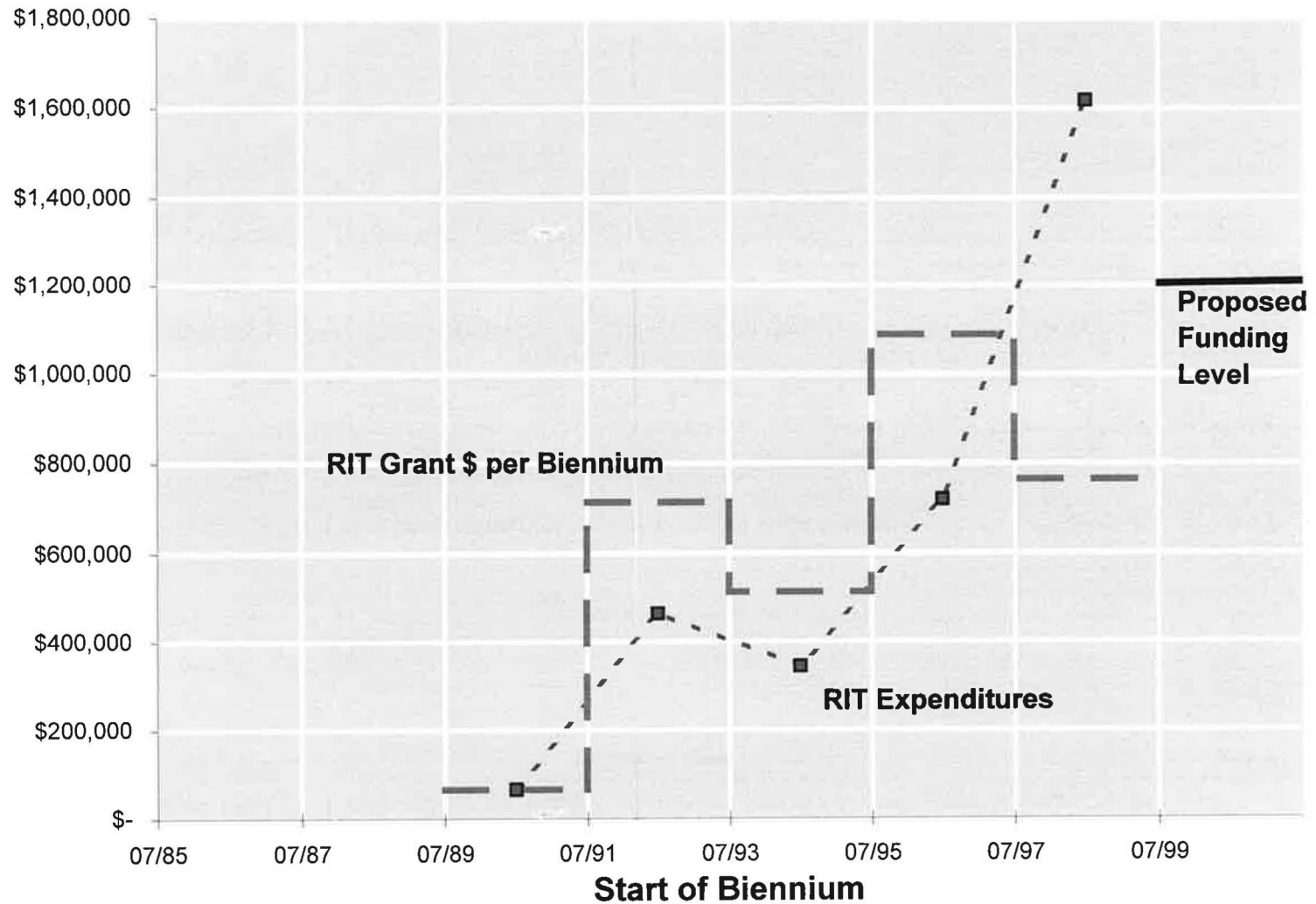
- New estimates of the State's reclamation liability for orphan wells

	<u>Wells</u>	<u>Cost/Well</u>	<u>Plugging Cost</u>	<u>Years @ \$600M/yr</u>
Known orphans	251	\$15,000	\$3,765,000	6.3
Estimated additional orphans	560	\$15,000	\$8,400,000	14.0
Est. high risk bonded idle wells	400	\$13,000	\$5,200,000	8.7

PROPOSED BUDGET AND OVERSIGHT PLAN

- \$1,200,000 per biennium allocated directly to the Board's Damage Mitigation Account. Account cap would be amended to \$1,200,000.
- Oversight on expenditures : Staff would prioritize orphans to plug. Expenditures would require approval of DNRC.
- Key points of the proposal:
 1. Limits annual expenditures to staff capabilities for reclamation activity.
 2. Allows far greater efficiency in planning and implementing program over current grant-based funding method.
 3. Minimal fiscal impact on current usage of RIT funds while assuring industry that sufficient RIT funds are committed to their intended use. (The proposed budget is only 7.5% of the 1999 interest proceeds on the RIT trust. The industry has contributed about 70% of the trust funds.)
 4. Funding method assures long term commitment to program. Priority of funding more constant than for the current grant-based method.
 5. Long-term commitment is the missing link to promoting Montana and the petroleum industry as a leading model for environmental reclamation.

MONTANA BOARD OF OIL AND GAS CONSERVATION ORPHAN WELL RECLAMATION PROGRAM



MONTANA BOARD OF OIL AND GAS CONSERVATION
ORPHAN WELL RECLAMATION PROGRAM
RESTORATION PROJECTION OF KNOWN AND ESTIMATED ORPHANS
AT VARYING LEVELS OF FUNDING

