

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, July 14, 1999, at the Board's office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Jack King, Allen Kolstad, Stanley Lund, Elaine Mitchell and Denzil Young. Staff present were Tom Richmond, Jim Halvorson, George Hudak, Terri Perrigo, Steve Sasaki and Don Garrity.

MINUTES

MOTION: Mr. King moved to accept the minutes of the April 7, 1999, business meeting. Mr. Lund seconded the motion and it passed unanimously.

PUBLIC COMMENT

Mr. Jack Ihli, whose company Nielco, Inc. is scheduled for a show cause hearing tomorrow, is unable to attend the show cause hearing and requested the Board hear his case today or continue it until the September 9, 1999, public hearing. Mr. Richmond said Ms. Lucille Gunderson had contacted him with some concerns regarding this matter.

MOTION: Mr. Kolstad moved to continue the Show Cause Hearing of Nielco, Inc. until the September 9, 1999, public hearing. Mr. Young seconded the motion and it passed unanimously.

BOND REPORT

Mr. Tom Richmond presented the Bond Report, which is attached as Exhibit 1.

FINANCIAL REPORT

Ms. Terri Perrigo distributed and discussed the financial report, which is attached as Exhibit 2.

RONALD M. AND MARGARET ANN SANNES

Mr. Ron Sannes was present with his accountant, Mr. Dennis White. Mr. Sannes reported the State 1-36 well site had been restored and reseeded. Mr. White was present, per Board request, to provide financial information to justify Mr. Sannes' request for a month extension on the deadline to plug and reclaim another well. Mr. Sannes said with revenue coming in from good oil prices and the summer glass season he felt he could plug another well by October 1, 1999.

MOTION: Mr. Lund moved to grant Mr. Sannes a 30 day extension, making the new deadline to plug and reclaim either the Buxbaum #1, the A. Engen #1 or the Trudell #1-6 well October 1, 1999; and to send a summary of Mr. Sannes' situation with the Board to Mr. Jack Martin at Yellowstone Bank in Laurel. Mr. Young seconded the motion and it passed unanimously.

The history of this issue with Mr. Sannes is as follows:

- Board Order 77-97 required the Hatley #1 well be plugged and abandoned by October 24, 1997. If that was not done, a fine of \$200 per day was levied for each day beginning October 25, 1997, the work remained unfinished.
- Board Order 86-98 established the amount of the fine on the Hatley #1 well at \$56,400. It ordered Mr. Sannes to pay \$2500 toward the fine and plug the State 1-36 well by December 31, 1998. (Mr. Sannes paid the \$2500.) It stated if the State 1-36 well was plugged and reclaimed by December 31, 1998, the balance of the fine (\$3,900) would be rescinded.
- Show Cause Order 17-99 required Mr. Sannes to appear and show cause why his bond should not be forfeited or increased for failure to plug and reclaim the State 1-36 well by December 31, 1999, and other violations listed in a three page document submitted by Mr. Steve Sasaki, Chief Field Inspector.
- Board Order 33-99 ordered Mr. Sannes to appear at the May 19, 1999, business meeting to document successful reclamation of the State 1-36 well; that he plug and reclaim either the Buxbaum #1, the A. Engen #1 or the Trudell #1-6 well by September 1, 1999; and deferred collection of the remainder of the fine against Mr. Sannes until further order.
- Mr. Sannes appeared at the May 19, 1999, business meeting to request an additional month to plug and restore the Buxbaum #1, the A. Engen #1 or the Trudell #1-6 well. Mr. Sannes presented financial information to justify his request, but the information provided was insufficient for the Board to decide whether to grant Mr. Sannes' request. Mr. Sannes volunteered to bring his accountant to the next business meeting to provide information to support his request to extend the deadline to plug and reclaim one of the three aforementioned wells to October 1, 1999.
- Mr. Sannes appeared at the July 14, 1999, business meeting with his accountant, Mr. Dennis White. Board members voted to grant Mr. Sannes a 30-day extension (until October 1, 1999) on the requirement to plug either the Buxbaum #1, the A. Engen #1 or the Trudell #1-6 well. The Board also directed staff to send a summary of Mr. Sannes' situation to Mr. Jack Martin of Yellowstone Bank of Laurel.

SAMEDAN OIL CORPORATION - CARTMELL 14-14H WELL

Mr. Steve Sasaki distributed Exhibits 3 and 4, an overview of the Cartmell 14-14H situation and a letter from Mr. Steve Schmitz of Samedan Oil Corporation stating the original wellbore has been successfully plugged and outlining Samedan's plans for final plugging and abandonment action. Mr. Sasaki does not agree with the cement plug plan submitted by Samedan. Instead he recommends Samedan drill out the top plug on the surface and go down with a cast iron plug to ensure nitrogen doesn't migrate into the Fox Hills local aquifer.

Mr. Lund said if Samedan's plugging plan were approved and the work done the well would be taken off their bond. If the well had problems later on, those would then be the responsibility of the Board.

Mr. Halvorson reminded the Board that this well blew out and the Board was not notified of the blowout. The original plugging was done without notification to or consultation from the Board. It is now plugged and leaking. This is the first monitoring of the well even though the Board ordered continued monitoring. Now Samedan wants the well removed from their bond. Mr. Halvorson questioned whether a surface plug would be adequate when it is possible that the downhole plugs are not effective.

Mr. Garrity suggested Samedan's request to approve final plugging and abandonment plans for the Cartmell 14-14H well be docketed for the September 9, 1999, public hearing. Mr. Richmond directed staff to docket the request.

MSU-BILLINGS STUDY

Chairman David Ballard reported the Board of Oil and Gas Conservation study had not been selected by any MSU- Billings summer students as their project. It will be offered again to students of Dr. Hinthorne in the fall.

STAFF REPORTS

Mr. Jim Halvorson distributed a listing of 1999 Seismic Permits to date, which is attached as Exhibit 5.

Mr. Richmond said he had not received a request for a permit to drill on the Rocky Mountain Front, but an ad had appeared for a proposed location. If a public hearing request is received, it will be docketed for September 9, 1999. The attached Exhibit 6 provides a copy of : a) the notice of intent to apply for a permit to drill; and b) the article about the proposed well published in the Chouteau Acantha.

Mr. Richmond said a Controlled Groundwater Area has been proposed by DNRC Water Resources Division for the area in Southeastern Montana where coal bed methane activities are taking place. Public hearings on the proposal are being held in September. He sent a letter to Director Clinch and the Water Resources Administrator stating his dissatisfaction about going public with the controlled groundwater proposal before it and its ramifications had been discussed within the department. He introduced Mr. Eric Szaloczi of Redstone Gas Partners, who was present to discuss the proposal and its implications on Redstone's operations in the proposed controlled groundwater area.

Mr. Szaloczi advised the Board of the large amount of data his company had acquired concerning the water in this area and its plans to closely monitor the effects of its activities on the aquifer.

In response to an inquiry by Mr. Kemp Wilson, representing another company interested in coal bed methane, Mr. Richmond said he would work with the companies to develop requirements for testing and modeling.

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

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday, July 14, 1999, 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. 72-99 - A motion was made by Mr. Lund, seconded by Mr. Young and unanimously passed, to approve the application of DL INC as set forth in Board Order 65-99.

Docket No. 73-99 and 3-99 Fed - The Board heard the application of K2 America Corp. which involves Indian land under the jurisdiction of the Bureau of Land Management (BLM). The order will be issued by the BLM.

Docket No. 74-99 and 4-99 Fed - The Board heard the application of K2 America Corp. which involves Indian land under the jurisdiction of the Bureau of Land Management (BLM). The order will be issued by the BLM.

Docket No. 75-99 and 5-99 Fed - The Board heard the application of K2 America Corp. which involves Indian land under the jurisdiction of the Bureau of Land Management (BLM). The order will be issued by the BLM.

Docket No. 76-99 and 6-99 Fed - The Board heard the application of K2 America Corp. which involves Indian land under the jurisdiction of the Bureau of Land Management (BLM). The order will be issued by the BLM.

Docket No. 77-99 - A motion was made by Mr. Kolstad, seconded by Ms. Mitchell and unanimously passed, to approve the application of The Armstrong Corporation as set forth in Board Order 66-99.

Docket No. 78-99 - A motion was made by Mr. Young, seconded by Mr. Lund and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company as set forth in Board Order 67-99.

Docket No. 79-99 - The application of Burlington Resources Oil & Gas Company was continued to the September 9, 1999, public hearing.

Docket No. 80-99 - A motion was made by Ms. Mitchell, seconded by Mr. Young and approved unanimously, to approve the application of Branch Oil and Gas as set forth in board Order 68-99.

Docket No. 81-99 - A motion was made by Mr. Kolstad, seconded by Mr. Young and unanimously passed, to approve the application of Columbus Energy Corp. as set forth in Board Order 72-99.

Docket No. 19-99 - A motion was made by Mr. Young, seconded by Ms. Mitchell and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company as set forth in Board Order 73-99.

Docket No. 20-99 - A motion was made by Mr. Young, seconded by Mr. Kolstad and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company as set forth in Board Order 74-99.

Docket No. 71-99 - A motion was made by Mr. Lund, seconded by Mr. Young, and unanimously passed that the bonds of Elmer and Duard Rossmiller be forfeited and that any wells now covered by those bonds not be allowed to produce until a new bond or bonds are furnished, as set forth in Board Order 75-99.

Docket No. 82-99 - The show cause hearing of Nielco, Inc. was continued to the September 9, 1999, public hearing.

Docket No. 83-99 - A motion was made by Mr. Kolstad, seconded by Mr. Lund and unanimously passed, that the bond of United States Energy Corporation be forfeited and that United States Energy Corporation be prohibited from producing any wells in the State of Montana until further order of the Board, as set forth in Board Order 76-99.

Docket No. 84-99 - A motion was made by Mr. Young, seconded by Ms. Mitchell and unanimously passed, to authorize the Administrator to impose a penalty of up to \$50 per month on McCulliss Resources Co. Inc. for failure to file production reports, as set forth in Board Order 77-99.

NEXT MEETING


The next business meeting of the Board will be September 8, 1999, at 2:00 p.m. at the Board's office at 2535 St. Johns Avenue, Billings, Montana. The public hearing will be September 9, 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 September 9, 1999, public hearing is Thursday, August 12, 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

May 19, 1999 through July 13, 1999

APPROVED BONDS

Chaco Energy Company Denver, CO	Frontier Insurance Company Surety No. 126846	Amount . . . \$10,000 Type . . . Single-well Effective . . . 6/1/99
Encore Operating, LP Fort Worth, TX	St Paul Fire & Marine Insurance Co Surety No. JZ8047	Amount . . . \$660,000 Type . . . Multi-well Effective . . . 5/27/99
Encore Operating, LP Fort Worth, TX	St Paul Fire & Marine Insurance Co Surety No. JZ8046	Amount . . . \$1,670,000 Type . . . UIC Blanket Effective . . . 5/27/99
Fulton Fuel Company Shelby, MT	1st State Bank, Shelby CD No. 2891	Amount . . . \$20,000 Type . . . UIC Limited Effective . . . 5/16/99
Howell Petroleum Corp. Houston, TX (Replacement Bond)	RLI Insurance Company Surety No. RLB0000998	Amount . . . \$200,000 Type . . . UIC Limited Effective . . . 5/26/99
Howell Petroleum Corporation Houston, TX (Replacement bond)	RLI Insurance Company Surety No. RLB0000999	Amount . . . \$25,000 Type . . . Multi-well Effective . . . 5/26/99
J.P. Oil & Gas Operating Co., Inc. Cut Bank, MT	1st Interstate Bank, Cut Bank CD No. 2400010734	Amount . . . \$6,000 Type . . . Limited Effective . . . 6/28/99
KGH Operating Company Billings, MT	US Bank, Boise LOC No. SLCBBOI00268	Amount . . . \$10,000 Type . . . Single-well Effective . . . 5/24/99
Macum Energy, Inc. Billings, MT	1st Interstate Bank, Billings CD No. 1200009153	Amount . . . \$10,000 Type . . . Single-well Effective . . . 6/14/99

Macum Energy, Inc.
Billings, MT

1st Interstate Bank, Billings
CD No. 1200009154

Amount \$10,000
Type Single-well
Effective 6/14/99

Pennaco Energy, Inc.
Denver, CO

United States Fidelity & Guaranty
Surety No. 19-0130-18428-99

Amount \$50,000
Type Multi-well
Effective 3/31/99

Prairie Energy Inc.
Houston, TX

RLI Insurance Company
Surety No. RLB0000955

Amount \$10,000
Type UIC Single
Effective 5/12/99

Prairie Energy, Inc.
Houston, TX

RLI Insurance Company
Surety No. RLB0000956

Amount \$10,000
Type UIC Single
Effective 5/12/99

Prairie Energy, Inc.
Houston, TX

RLI Insurance Company
Surety No. RLB0000954

Amount \$50,000
Type Multi-well
Effective 5/12/99

Prima Exploration Inc.
Denver, CO

Norwest Bank, Colorado
CD No. 6000000350

Amount \$50,000
Type Multi-well
Effective 6/9/99

Prima Exploration, Inc.
Denver, CO

Norwest Bank, Colorado
CD No. 6000000351

Amount \$50,000
Type UIC Limited
Effective 6/9/99

TWO Taylor Well Operating, Inc.
Shelby, MT

1st State Bank, Shelby
CD No. 2895

Amount \$1,500
Type Single-well
Effective 6/7/99

CANCELLED BONDS

ANR Production Co.
Houston, TX

United Pacific Insurance Co.
Surety No. U276 57 10

Amount \$30,000
Type UIC Limited
Effective 5/19/99

Crown Oil, Inc.
Houston, TX

Underwriters Indemnity Company
Surety No. B7170

Amount \$10,000
Type UIC Single
Effective 5/25/99

Crown Oil, Inc. Houston, TX	Underwriters Indemnity Company Surety No. B7171	Amount \$10,000 Type UIC Single Effective 5/25/99
Crown Oil, Inc. Houston, TX	Underwriters Indemnity Co. Surety No. B7169	Amount \$25,000 Type Multi-well Effective 5/25/99
Howell Petroleum Corp. Houston, TX (Bond replaced)	United Pacific Insurance Co. Surety No. U2816670	Amount \$200,000 Type UIC Limited Effective 5/26/99
Howell Petroleum Corporation Houston, TX (Bond Replaced)	United Pacific Insurance Co. Surety No. U2765939	Amount \$25,000 Type Multi-well Effective 5/26/99
Quest Petroleum Corporation Reno, NV	1st State Bank, Shelby CD No. 6790	Amount \$10,000 Type Blanket Effective 5/28/99

CHANGES TO EXISTING BONDS

Amoco Production Co. Chicago, IL (Assumption of Liability from Seaboard Surety Co. No. 321102)	Travelers Casualty & Surety Co. Surety No. 10317291113	Amount \$200,000 Type UIC Limited Effective 5/6/99
Armstrong Operating, Inc. Dickinson, ND (Added to existing CD's to bring total to \$50,000)	Stockman Bank, Sidney CD No. 8011 and 7185	Amount \$50,000 Type Multi-well Effective 5/14/99
Lloyd and Patricia Danielson Ferdig, MT (Replacement of existing CD No. 9000008765)	Norwest Bank, Shelby CD No. 9000073770	Amount \$10,000 Type Blanket Effective 5/20/99
Mercury Exploration Co. Cut Bank, MT (\$25,000 CD added to bring bond amount to \$50,000)	Marquette Bank, Cut Bank CD Nos. 3160 and 6368	Amount \$50,000 Type Multi-well Effective 6/8/99

OTHER APPROPRIATIONS/EXPENDITURES FROM STATE SPECIAL REVENUE ACCOUNT

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

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT

	Year to Date FY 1999	Total FYE 1998	Percentage YTD99:FYE98
Oil Production Tax**	477,728	614,788	0.78
Gas Production Tax**	149,872	120,833	1.24
Penalty & Interest	91	231	0.39
Drilling Permit Fees	23,725	34,690	0.68
UIC Permit Fees	160,400	170,599	0.94
Enhanced Recovery Filing Fee	0	425	0.00
Interest on Investments	36,556	21,579	1.69
Copies of Documents	7,913	9,961	0.79
Database Services	0	74	0.00
Other	589	4,356	0.14
TOTALS	\$856,874	\$977,536	0.88

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

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

INVESTMENT ACCOUNT BALANCES

Regulatory	\$516,500
Damage Mitigation*	\$164,067

* \$33,655 accrual for FY99 Balco project costs. Adjusted balance \$130,412

GRANT BALANCES

Name	Authorized Amt	Expended	Balance
Cat Creek	45,676	45,676	0
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	257,390	256,111	1,279
Balco*	1,018,356	1,003,437	14,843
96A	0	0	0
TOTALS	\$2,062,292	\$2,025,989	\$36,227

*\$37,877.50 from the Damage Mitigation Account has also been allocated to Balco, making the total estimated project cost \$1,056,233.50

g:\oilgas\tp\lotus\july99

SUMMARY SAMEDAN OIL CO., CARTMELL 14-14H

Well spudded:	March 21, 1997
Surface Casing Set:	March ?, 1997
Well taking nitrogen kick:	March 28, 1997
Well blowing out:	April 1, 1997
Well blowout control:	April 1 to April 9, 1997
Well P&A:	April 10 to April 12, 1997
Field Inspection:	July 2, 1997
Board Order issued to monitor:	September 3, 1997
Board Business Meeting monitor:	October 29, 1997
Intent to do Final P&A:	May 14, 1999

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

IN THE MATTER OF SAMEDAN OIL CORPORATION'S
CARTMELL 14-14H WELL IN SECTION 14, T17N-R53E,
DAWSON COUNTY, MONTANA

ORDER NO. 106-97

Docket 131-97

Report of the Board

The above entitled cause came on regularly for hearing on the 4th day of September, 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. The Cartmell 14-14H well has not been properly plugged and some nitrogen gas is still escaping therefrom. Samedan Oil Corporation appears to be making reasonable progress in its attempts to deal with this problem and is acting in a responsible manner.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that this docket remain open and that Samedan keep the Board staff informed of any changes in the condition or status of said well.

IT IS FURTHER ORDERED that Samedan furnish a written report on the well status to the Board at the Board's next regular business meeting.

10/29/97

MOTION: Mr. Galuska moved that the change of operator submitted by West Gas II, Inc. for certain wells on the Leuthold property be refused; and that staff require evidence of West Gas II, Inc.'s right to operate the other wells for which it is seeking a transfer before considering approval of those requests. The motion was seconded by Mr. Ross and passed unanimously.

FINANCIAL REPORT

Ms. Terri Perrigo, Executive Secretary, reported on the Board's financial condition. The Chairman requested information on well plugging grant expenditures be included in future financial reports. A copy of Ms. Perrigo's report is attached as Exhibit 2.

BONDING COMMITTEE REPORT

Mr. Galuska reported the committee had passed four resolutions which are attached as Exhibit 3. These resolutions will be submitted to the Board for consideration at the February, 1998 hearing. The committee would like a copy of the resolutions sent as soon as possible to individuals on the Board's general mailing list and list of persons interested in administrative rule changes so their comments can be gathered prior to submission to the Board.

MOTION: Mr. Galuska moved the Board adopt the proposed amendments to A.R.M. 36.22.1308 and 36.22.1408. The motion was seconded by Mr. Young and passed unanimously.

The proposed amendments to A.R.M. 36.11.1303 will be the subject of a public hearing at the Board's meeting on December 18, 1997.

Mr. Galuska asked about paying mileage to bonding committee members. Mr. Richmond advised him members would have to be appointed to an advisory committee either by the Governor or the Director of the Department of Natural Resources to qualify for such payment, and said he would check with Director Clinch as to his willingness to appoint these members to an advisory committee.

STAFF REPORTS

Mr. Richmond reported on the request of Kim Hawley that the Board's order prohibiting Gallup City Oil Company from producing the wells on its property be rescinded because it had finally come into compliance with the Board's rules. At that point, Mr. Ballard said he would not participate further in the discussion or resolution of this or any other Hawley matter.

MOTION: Mr. Galuska moved the Board consider this request by conference call on Monday, November 10, 1997 if Gallup City Oil Company does not post the bond which would continue the court's order restraining enforcement of the Board's order. The motion was seconded by Mr. Lund and passed unanimously.

Mr. Richmond also reported he had reviewed the sufficiency of the West Gas II, Inc.'s \$25,000 blanket bond. West Gas II, Inc. has 21 wells, seven of which are producing. Those wells range in depth from 800 to 1500 feet, and Mr. Richmond said the current bonding was adequate. He also said that West Gas II, Inc. has changed its name to Energy Equity Company, and is operating out of Auburn, California.

Mr. Richmond gave an update on the Samedan Cartmell 14-14H well and said staff would continue to monitor that well.

Mr. Richmond said he and two Board members (Mr. Ballard and Mr. Kolstad) would be attending the Interstate Oil & Gas Compact Commission's meeting in Santa Fe, New Mexico on December 7 and 8, 1997.

Mr. Richmond told the Board Montana is participating with New Mexico in making application to the EPA for grant funds to develop an interactive internet site.

Mr. Hjartarson reported on the status of the Fred P. Klein wells. Mr. Klein's bond has been forfeited but is not

MONTANA BOARD OF OIL AND GAS CONSERVATION

Billings or Shelby Office

MAY 1999

Sundry Notices and Report of Wells

Operator Samedan Oil Corporation

Address 1050 17th Street, Suite #1100

City Denver State CO Zip Code

Telephone Number (303) 534-1533

Telefax Number (303) 534-1103

Lease Name:
Cartmell

Lease Type (Private/State/Federal):
Private

Well Number:
14-14H

Unit Agreement Name:

Location of well (1/4-1/4 section and footage measurements):
SW SW Surface: 350' FSL & 350' FWL

Field Name or Wildcat:
Deer Creek

If directionally or horizontally drilled, show both surface and bottom hole locations)

Section, Township, and Range:
Section 14-T17N-R54E R53E

API Number:

25 0 2 1 2 1 1 2 9

Well Type (oil, gas, injection, other):

Oil

County:

Dawson

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

Notice of Intention to Change Plans ☐

Notice of Intention to Run Mechanical Integrity Test ☐

Notice of Intention to Stimulate or to Chemically Treat ☐

Notice of Intention to Perforate or to Cement ☐

Notice of Intention to Abandon Well ☒

Notice of Intention to Pull or Alter Casing ☐

Notice of Intention to Change Well Status ☐

Supplemental Well History ☐

Other (specify) ☐

Subsequent Report of Mechanical Integrity Test ☐

Subsequent Report of Stimulation or Chemical Treatment ☐

Subsequent Report of Perforation or Cementing ☐

Subsequent Report of Well Abandonment ☐

Subsequent Report of Pulled or Altered Casing ☐

Subsequent Report of Drilling Waste Disposal ☐

Subsequent Report of Production Waste Disposal ☐

Subsequent Report of Change in Well Status ☐

Subsequent Report of Gas Analysis (ARM 36.22.1222) ☐

Described 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.

Samedan Oil Corporation requests approval for Final Abandonment status on this well.

Subject wellbore was temporarily abandoned on 4/12/97 and monitored for nitrogen gas at the wellhead.

The situation has stabilized and final abandonment operations will include:

1. Set top cement plug from 0-80' with neat cement.
2. Remove & salvage 9 5/8" wellhead. Cut-off casing below ground level.
3. Check w/ surface owner & install dry-hole marker if requested by him.
4. Replace topsoil, re-seed, & rehabilitate location.

BOARD USE ONLY

Approved

Date

Name

Title

The undersigned hereby certified that the information contained on this application is true and correct:

5/14/99

Date

Signed (Agent)

Steve Schmitz, P.E.

Print Name & Title

**SAMEDAN OIL CORPORATION**1050 17th Street Suite 1100

Denver, Colorado 80265

303 534-1533

**June 3, 1999**

**Steven Sasaki
Chief Field Inspector
State of Montana
Board of Oil & Gas Conservation**

**Re: Cartmell No. 14-14H, Final Abandonment Intention
SWSW Section 14 T17N R53E
Dawson County, Montana**

Dear Mr. Sasaki,

We are in receipt of your letter requesting that Samedan docket our request to finish plugging and restoration of the subject wellbore. This report and attachments are also intended to serve as our exhibits for the Commission hearing. It is our request that this matter be taken up before the Board of Oil & Gas Conservation at the business meeting on Wednesday, July 14, 1999. Please forward this letter and report to Mr. Garrity as necessary. I have spoken to Terri Perrigo and she is waiting to hear what the outcome of this request is before placing the matter on the docket.

History:

The Cartmell 14-14H, Dawson County, Montana drilled into a nitrogen charged gas sand in the Tyler formation at 6666-6676' on March 28th, 1997. On April 1st while attempting to overcome gas flow, stuck drill-pipe, and lost circulation, the well sustained an un-controlled flow of gas up the drill-pipe after pumping several thousand barrels of kill fluid. The well was subsequently brought under control and cement plugs were placed as shown in the attached wellbore schematic Exhibit I. The wellhead was left in place and a monitoring/observation period was initiated in order to ensure that the plugs were secure and the wellbore would not pose a hazard.

Casing: 9 5/8" 36# J55 STC set at 1245' & cemented to surface with 520 sx.

Cement plugs were set from top to bottom as follows:

1. Cement: 80' to 186' w/ 50 sx neat cement inside 9 5/8" surface casing.
2. Cement: 725' to 990' w/ 100 sx neat inside 9 5/8" surface casing.
3. Cement: 1012' to 2322' w/ 650 sx thixotropic cement. Includes stuck drill pipe from 950' to 2322'. Cement was pumped and drillpipe was cut-off in place.
4. Cement: 2873' to 6676' bullhead pumped in place. Includes stuck drilling assembly from 2950' to 4197'.

During the observation period from April 12, 1997 to the present we determined that trace amounts of nitrogen gas had migrated to surface and registered 50-75 psi on the surface pressure gauge. This minor pressure was bled off in a matter of minutes to atmosphere.

A replacement well was drilled 500 feet to the Northeast and placed on production in the horizontally drilled Charles Carbonate after successfully drilling through the nitrogen bearing Tyler sand. At the time it was our position that, if necessary, nitrogen pressure could be relieved by perforating the zone behind pipe in this offsetting producing wellbore and venting.

Current Conditions:

Based on field observations we have determined that the original wellbore has been successfully plugged preventing communication back to the Tyler nitrogen bearing sand and offsetting relief well operations are not necessary. It has been observed over the last 8 months that trace amounts of nitrogen migrate through the cement plugs to surface as indicated by pressure buildup to 60 psi. Bleed-off to zero psi is achieved in two minutes. A top cement plug will safely allow this wellhead to be cut-off below ground level in the final plugging and abandonment activity.

A final plugging and abandonment action involves setting a top cement plug from surface to 80' , wellhead removal, and casing cut-off below ground level. The surface around the wellhead will be reclaimed and rehabilitated.



Sincerely,

A handwritten signature in cursive script that reads "Steve Schmitz".

Steve Schmitz, P.E.
SAMEDAN OIL CORPORATION

- Attachments:
- I. Wellbore Schematic Current Conditions(Cartmell 14-14H)
 - II. Wellbore Schematic Producing Well (Cartmell 14A-14H)
 - III. Wellbore Schematic Proposed P & A'd (Cartmell 14-14)

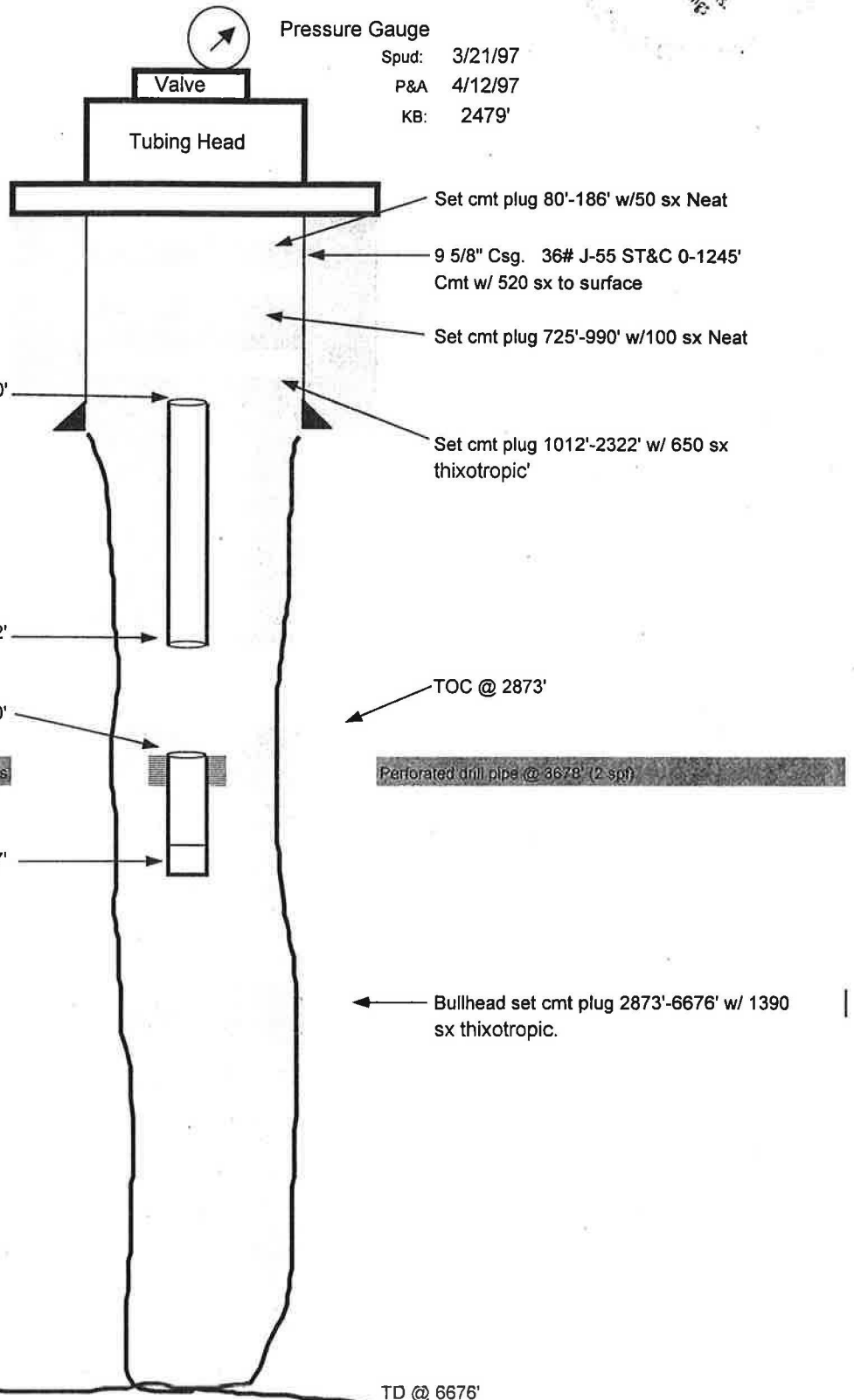
CARTMELL #14-14 (Present Condition) (as of 4/12/97)



Location: SWSW Section 14-T17N-R53E
Wildcat, Deer Creek Prospect
Dawson, Montana
350' FSL & FWL
Casing Head

Pressure Gauge

Spud: 3/21/97
P&A 4/12/97
KB: 2479'



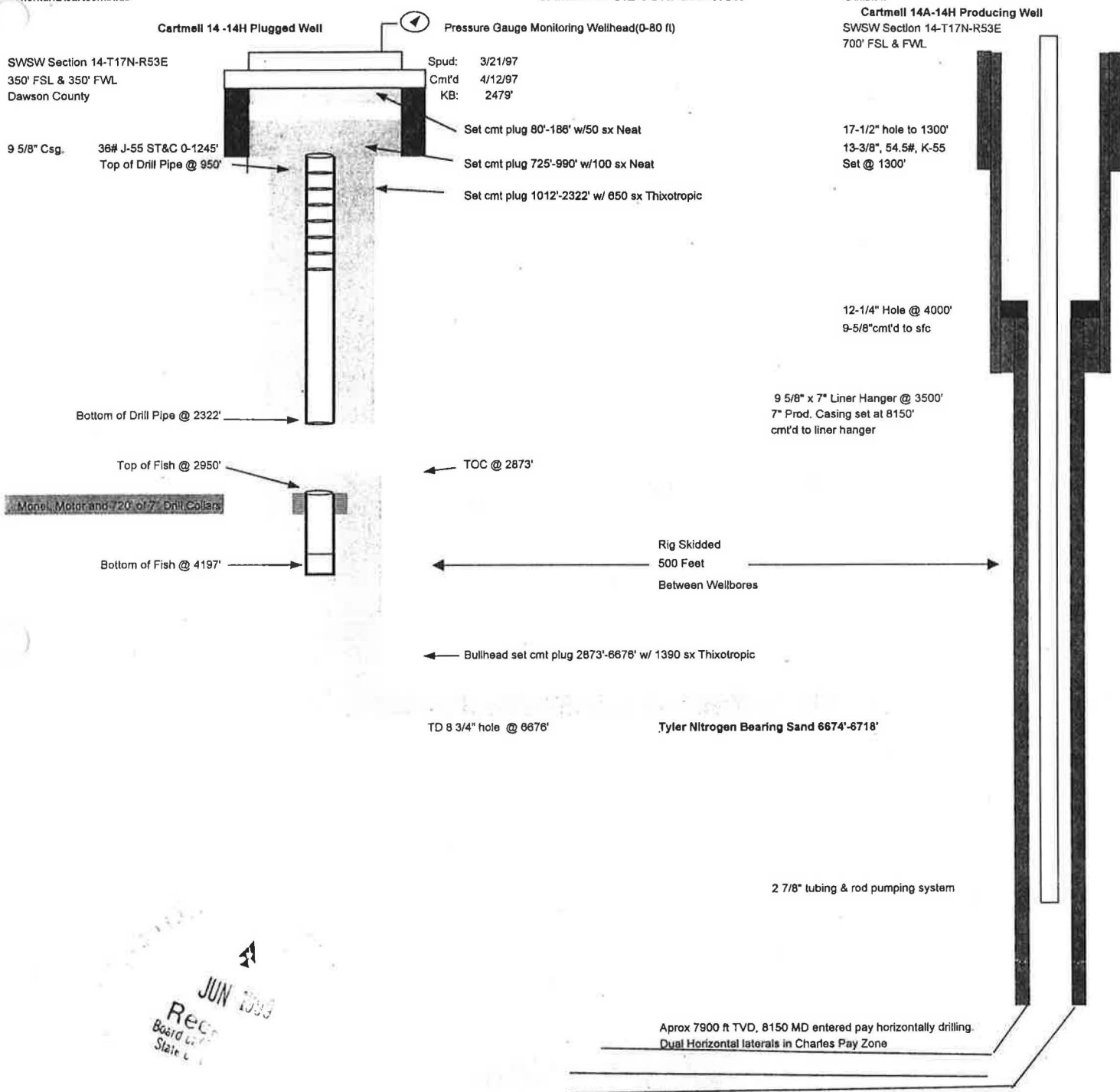
Nitrogen Bearing Sand in the Tyler Interval

SAMEDAN OIL CORPORATION

Exhibit II

Cartmell 14A-14H Producing Well
SWSW Section 14-T17N-R53E
700' FSL & FWL

SWSW Section 14-T17N-R53E
350' FSL & 350' FWL
Dawson County



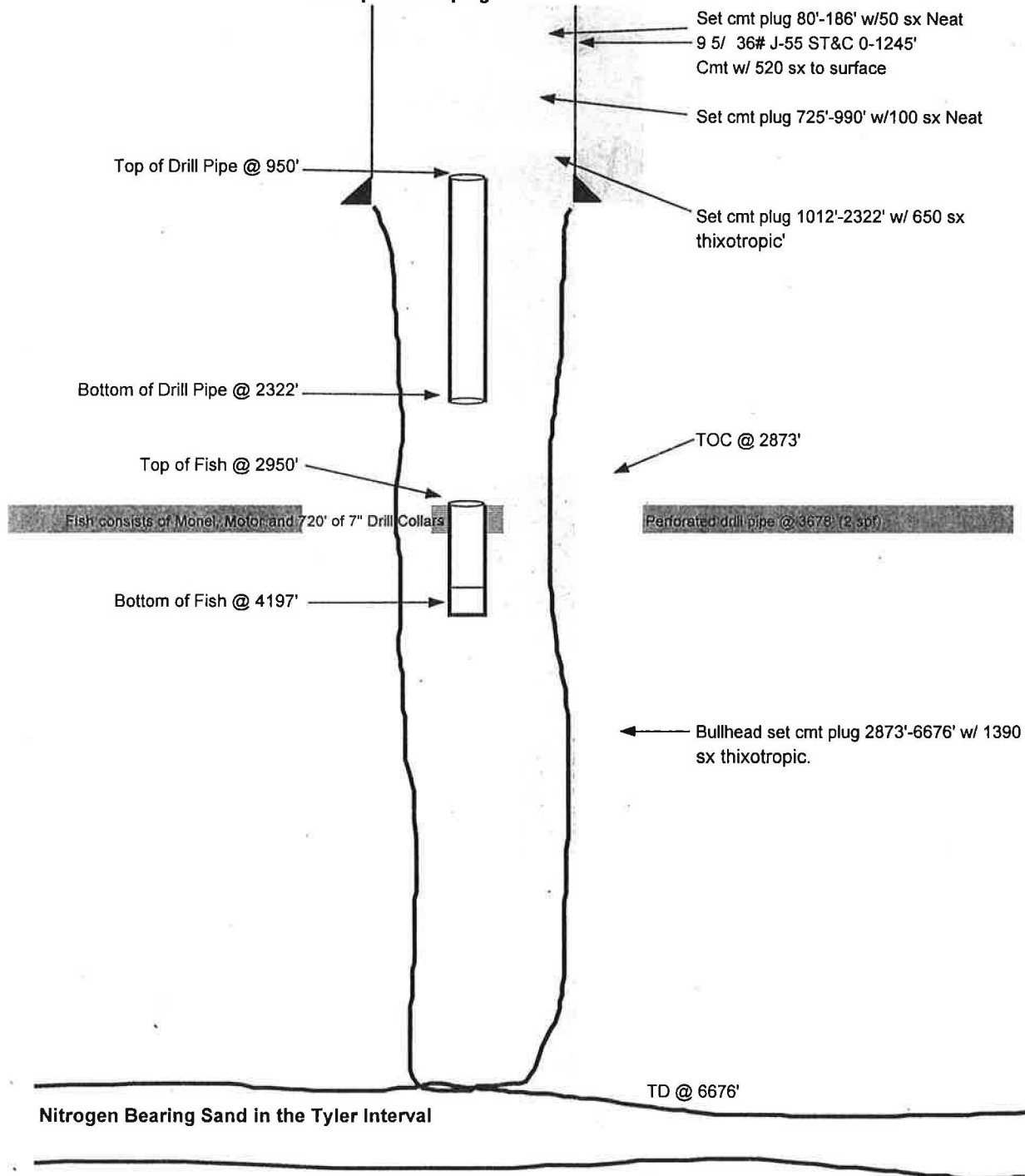
CARTMELL #14-14 (Proposed P & A Condition)

Exhibit III



Location:
SWSW Section 14-T17N-R53E
Wildcat, Deer Creek Prospect
Dawson, Montana
350' FSL & FWL

Place surface marker as required
Cut-off casing 6' below ground level
Set top cement plug 0-80'



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

Received
JUN 1999
Board of Oil & Gas Cons.
State of MT, Billings

Sundry Notices and Report of Wells

Operator Samedan Oil Corporation

Address 1050 17th Street, Suite #1100

City Denver State CO Zip Code

Telephone Number (303) 534-1533

Telefax Number (303)
534-1103

Lease Name:
Cartmell

Lease Type (Private/State/Federal):
Private

Well Number:
14-14H

Unit Agreement Name:
--

Location of well (1/4-1/4 section and footage measurements):
SW SW Surface: 350' FSL & 350' FWL

Field Name or Wildcat:
Deer Creek

If directionally or horizontally drilled, show both surface and bottom hole locations)

Section, Township, and Range:
Section 14-T17N-R54E

API Number:

25 0 2 1 2 1 1 2 9

State County Well

Well Type (oil, gas, injection, other):

Oil

County:

Dawson

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

Notice of Intention to Change Plans

☐

Notice of Intention to Run Mechanical Integrity Test

☐

Notice of Intention to Stimulate or to Chemically Treat

☐

Notice of Intention to Perforate or to Cement

☐

Notice of Intention to Abandon Well

☒

Notice of Intention to Pull or Alter Casing

☐

Notice of Intention to Change Well Status

☐

Supplemental Well History

☐

Other (specify)

☐

Subsequent Report of Mechanical Integrity Test

☐

Subsequent Report of Stimulation or Chemical Treatment

☐

Subsequent Report of Perforation or Cementing

☐

Subsequent Report of Well Abandonment

☐

Subsequent Report of Pulled or Altered Casing

☐

Subsequent Report of Drilling Waste Disposal

☐

Subsequent Report of Production Waste Disposal

☐

Subsequent Report of Change in Well Status

☐

Subsequent Report of Gas Analysis (ARM 36.22.1222)

☐

Described 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.

Samedan Oil Corporation requests approval for Final Abandonment status on this well.

Subject wellbore was temporarily abandoned on 4/12/97 and monitored for nitrogen gas at the wellhead.

The situation has stabilized and final abandonment operations will include:

1. Set top cement plug from 0-80' with neat cement.
2. Remove & salvage 9 5/8" wellhead. Cut-off casing below ground level.
3. Check w/ surface owner & install dry-hole marker if requested by him.
4. Replace topsoil, re-seed, & rehabilitate location.

BOARD USE ONLY

Approved

Date

Name

Title

The undersigned hereby certified that the information contained on this application is true and correct:

6/3/99

Date

Steve Schmitz, P.E.

Print Name & Title

Signed (Agent)

1999 SEISMIC PERMITS

2-4-99	Garfield	Reliable Exploration	15-16N, 38-39E
2-25-99	Stillwater	Veritas DGC Land Inc.	5-6S, 16-18E
3-29-99	Blaine	Solid State Geophysical	32N-36N, 18-19E
4-19-99	Blaine	Solid State Geophysical	34-35N, 18-19E
4-21-99	Hill	Solid State Geophysical	34N, 14E
4-21-99	Hill	Solid State Geophysical	33-37N, 12-17E
4-23-99	Blaine	Solid State Geophysical	34N, 17E
			32N, 17E
4-23-99	Roosevelt	Reliable Exploration	28N, 58-59E
4-26-99	Blaine	Solid State Geophysical	34N, 18E
5-7-99	Roosevelt	Reliable Exploration	27-28N, 57E
6-3-99	Sheridan	Reliable Exploration	36N, 57E
6-5-99	Blaine	Solid State Geophysical	34N, 17E

Calgary firm proposes new gas well

■ Proposed well would be located on private land

By Roxanne Dextator
Acantha reporter

Pajak Engineering Ltd. of Calgary, Alta., will file a notice of intention to apply for a permit to drill an oil and gas well with the Montana Board of Oil and Gas Conservation on behalf of Startech Energy Corp., also of Calgary.

The well would be located on private land sandwiched between the Boone and Crockett Club's Theodore Roosevelt Memorial Ranch and the Blackleaf Canyon.

Owners of Township 27, Range 8 west, Section 29, (the property the proposed well is located on) are Reva Fay Thomas, Theodore R. Skelton Jr., Eva Mae Pearson and Kenneth G. Duncan.

The primary target for the well, which will reach a depth of 4,215 feet, is natural gas. Kel Johnston, vice president of exploration for Startech, said Monday. "We think there's potential for gas," he said. "We have some reasoning to believe that."

Startech operates several gas wells in the Blackleaf area, but this one will be located northeast of that area. "Currently we only have the plans for the one well," Johnston said. "Whether that well is successful will dictate if Startech drills additional wells or walks away," he said. The amount of information Startech has now makes it difficult to determine the amount of natural gas in the area, but Johnston

said Startech believes there is "enough to drill one well now."

The Montana Board of Oil and Gas Conservation has not received the permit application yet, but that is not abnormal, Tom Richmond, administrator of the oil and gas division and a staff petroleum engineer for the group in Billings, said. Many times the application is filed after notice is given.

The board developed an environmental impact statement (EIS) in 1990. The board requires the operator of the proposed well to publish notice in a newspaper in the county where the well is located, or one of general circulation in that county. The notice must also be published in the Helena Independent Record.

The operator must also give the adjoining landowners notice of the intent to drill.

Once the notice is published, the board waits for 10 days to hear whether there will be a request for a hearing. Anyone who has an interest in the land can request a hearing, Richmond said.

According to the notice, a party requesting a hearing must submit their name, address and phone number, their ownership interest in surrounding lands and the reason for requesting the hearing.

The board interprets what constitutes an interest fairly liberally, Richmond said. For example, a hearing was scheduled at the request of a landowner in McCone County who was five miles away from a proposed well, but who feared the well would drain his property. The hearing was never held because the issue was settled, Richmond said.

The board rarely receives a request

for a hearing from people who have an interest in the land, Richmond said. Usually when there is a request for a hearing it involves multiple partners in the well who don't want the well drilled where it is proposed. Those result in technical fights over where the well should be drilled, he said.

Adjoining landowner and Dupuyer rancher Carolyn Salaskey said Thursday, "Personally I don't think there needs to be a public hearing about that. That's private land."

"We support oil and gas responsible extraction," she said, adding that "unless terribly irresponsible" methods were used in the extraction process, she has no problem with it. "I don't believe these people today are going to go in and ruin the land."

Salaskey added that recent concerns have focused on public land, not private property. "I imagine there will be some sort of fuss, but we will not make a fuss," she said.

Theodore Roosevelt Memorial Ranch Manager Bob Peebles said he hadn't received notice of the intent to drill yet, but added that sometimes mail isn't directed to him, but rather the Boone and Crockett Club.

The ranch is located north of the proposed drill site. Peebles said oil and gas exploration issues are "policy decisions which I don't get to make," but that the club generally supports oil and gas exploration done in a responsible manner.

He added that because the proposed well site is on private land, the decision to drill is "up to the discretion of the private landowner. I don't think the Boone and Crockett Club would have any concerns."

If a hearing is requested, the board would add the matter to the agenda for the next regularly scheduled meeting. The board also needs about 30 days to provide all the appropriate notices.

The board's next regular hearing is next week; the following one will be in September.

If a hearing is requested, then the permit application is evaluated for compliance with state rules and in light of the issues raised by the parties requesting the hearing, Richmond said.

If a hearing isn't requested, then the staff petroleum engineer, Richmond, evaluates the permit application for compliance with the rules developed through the EIS. Those rules apply to matters such as distances from property lines, amount of surface casing being set, types of drilling fluids to be used and methods of waste disposal, Richmond said.

Startech must provide the board with a drilling permit, which is a one-page form that includes attachments such as a map, information on cut and fill, pits, lining of pits if they are to be lined, information on the location of the well and the amount of cement to be used, Richmond said.

Parties with an interest in the land have until July 24 to request a hearing.

The seven-member Montana Board of Oil and Gas Conservation is appointed by Gov. Marc Racicot. It is comprised of three industry members, two landowners with mineral rights and two landowners without mineral rights. The chairman is David Ballard of Billings. The board's scope of authority is for review of oil and gas drilling permits on state land and private property in Montana.

July 14, 1999 • PAGE 11

NOTICE OF INTENTION TO APPLY FOR PERMIT TO DRILL OIL AND GAS WELL BEFORE THE BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

In the Matter of the application of STARTECH ENERGY CORP., for a Permit to Drill an oil and gas well.

1. Name and address of Applicant: STARTECH ENERGY CORP., 2600, 140 Fourth Avenue S.W., Calgary, Alberta CANADA, T2P 3M3.

2. Legal Description and Approximate Footages of Surface Location of Proposed Oil and Gas Well: SWNE 2145' FNL 1980' FEL SEC. 29-T27N-R8W

3. Total Depth Proposed to be Drilled: 4215 FEET.

Notice is hereby given that an application for permit to drill an oil and gas well at the surface location set forth above to the depth as stated will be filed with the Montana Board of Oil and Gas Conservation. Pursuant to Rules 36.22.601 and 36.22.604, Administrative Rules of Montana, an interested party may demand an opportunity to be heard by the Montana Board of Oil and Gas Conservation concerning the application. SUCH DEMAND FOR HEARING MUST BE RECEIVED BY THE MONTANA BOARD OF OIL AND GAS CONSERVATION AT THE ADDRESS SET FORTH BELOW NO LATER THAN TEN (10) DAYS AFTER THE DATE OF PUBLICATION OF THIS NOTICE. OR THE APPLICATION WILL BE ACTED UPON BY THE BOARD'S PETROLEUM ENGINEER WITHOUT HEARING. A DEMAND MUST: (1) SET FORTH THE NAME, ADDRESS AND TELEPHONE NUMBER OF EACH INTERESTED PARTY, THEIR OWNERSHIP INTEREST IN THE LANDS SURROUNDING THE PROPOSED WELL AND THE REASONS WHY A HEARING IS SOUGHT; (2) BE SERVED UPON THE APPLICANT BY COPY MAILED OR FAX TRANSMITTED TO THE ADDRESS SET FORTH ABOVE.

MONTANA BOARD OF OIL AND GAS CONSERVATION
2315 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102