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, October 27, 1999, at the Board's office at 2535 St. Johns Avenue in Billings, Montana. Board members present were David Ballard, Denzil Young, George Galuska, Jack King, Allen Kolstad, Stanley Lund and Elaine Mitchell. Staff present were Don Garrity, Jim Halvorson, George Hudak, Rich Jacobson, Terri Perrigo, Tom Richmond and Steve Sasaki.

MINUTES

MOTION: Mr. King moved to accept the minutes of the September 8, 1999, business meeting. Mr. Galuska seconded the motion and it passed unanimously.

MSU-BILLINGS STUDY

Chairman Ballard moved this agenda item ahead and introduced Mr. Dustin Temple, one of the four students completing a project on the Board's operations as part of their senior coursework at MSU-Billings. Mr. Temple distributed a copy of the contract the students signed with the Chairman (Exhibit 1), and handed out a copy of questions the students will ask 200 operators during a phone survey (Exhibit 2). The students will present their final report to the Board at its public hearing on Thursday, December 9, 1999.

PUBLIC COMMENT

Mr. Ron Sannes reported he plugged the Trudell and Peterson wells. He is requesting the Board's approval of his plan to refrain from plugging any more wells until May 15, 2000.

Mr. Steve Sasaki handed out Exhibit 3, a chronology of Mr. Sannes' history since Board Order 33-99 was issued (requiring him to plug one of three wells by September 1, 1999, which was modified by subsequent Board action to October 1, 1999). Mr. Sasaki thinks Mr. Sannes' request today is reasonable.

MOTION: A motion was made by Mr. Young to allow Mr. Sannes to formulate a plugging program for the summer of 2000 by May 15, 2000, that has all plugging work completed by the Board 's August 30, 2000, business meeting. The motion was seconded by Mr. Kolstad and unanimously passed.

No action will be taken on the $53,900 remaining balance of Mr. Sannes' fine until after the August 30, 2000, business meeting.

BOND REPORT

Mr. Rich Jacobson presented the bond report, which is attached as Exhibit 4. Mr. Jacobson said the proceeds from the Rossmillers' two forfeited bonds (one for $10,000 and one for $5,000) have been received.

FINANCIAL REPORT

Ms. Terri Perrigo distributed Exhibit 5, the financial report.

PROPOSED SCHEDULE FOR 2000

Ms. Perrigo distributed a proposed meeting schedule for 2000. After discussion, the Board's public hearing schedule for 2000 was adopted and is attached as Exhibit 6.

COAL BED METHANE UPDATE

Mr. Tom Richmond introduced Jack Stults, Nancy Anderson and Kirk Waren from the Water Resources Division of the Department of Natural Resources and Conservation. They have been meeting with Board staff regarding the joint order for coal bed methane wells in Water Resources Division's proposed controlled groundwater area. Mr. Richmond said Water Resources and the Board will issue concurrent orders, the Board's at its December 9, 1999, public hearing, and Water's sometime in December also. The adoption of the order will be docketed for December 9, 1999, on the Board's own motion to adopt an order dealing with the same area as Water Resources, excluding tribal lands or lands held in trust by the U.S. government. Mr. Richmond said the Board should issue a general order to set the framework so applicants can come in under that framework for specific orders. The order should include: a) how wells are permitted, drilled and completed for test purposes; b) how to deal with development of coal bed methane fields; and c) the information the Board will need for coal bed methane projects.

Mr. Richmond discussed what should be required of applicants before a public hearing on establishment of a coalbed methane field. He felt the mineral and surface owners and tenants would have to be notified by the applicant before the Board publishes its regular legal advertisement. Mr. King was concerned who tenants were for notification purposes since they are not of record. Mr. Richmond then suggested water rights holders be notified by applicants, since their names are a matter of public record. Mr. Garrity said that would solve the notice problem. Staff was directed to send Water Resources a copy of coal bed methane applications from now on.

There will be an open house in the Billings office where the Board's proposed order will be available for review. Mr. Richmond will provide a copy of the proposed order to the Executive Secretary so it can be included in the general mailing prior to the next Board hearing. A copy of the proposed order will also be sent to persons on Water Rights' proposed controlled groundwater mailing list and all water rights holders from Water Rights' database.

Representative Lila Taylor, House District 5, expressed concerns of residents in the proposed controlled groundwater area, especially about areas watered by springs and the half mile mitigation radius that's being discussed. In regard to the half mile mitigation radius, Mr. Richmond said some radius would have to be set. Chairman Ballard directed Mr. Richmond to work with both sides on establishment of the radius and come up with some solution that's acceptable to all.

Mr. John Weeden, of the Montana Bureau of Mines and Geology, said that agency would like to be involved. He said the Bureau of Mines and Geology has a thirty year old program of hydrogeologic study of mines in the proposed controlled groundwater area.

LIGHT ENERGY REQUEST TO MAKE CASH PAYMENT FOR BOND RELEASE

Mr. Garrity spoke with Mr. Kemp Wilson, the attorney representing Light Energy. Mr. Wilson said Light is still interested in giving the Board a $10,000 cash payment in lieu of bond forfeiture. Mr. Sasaki provided an estimate of the cost of plugging Light Energy's well, which is shown on Exhibit 7

MOTION: A motion was made by Mr. Galuska, seconded by Ms. Mitchell and passed unanimously, to accept the $10,000 cash payment from Light Energy in lieu of bond forfeiture and release the bond when the check clears.

U.S. ENERGY

Mr. Richmond said U.S. Energy was originally summoned to appear and show cause why it had failed to timely file production reports. U.S. Energy also has wells that need plugged. The bond of U.S. Energy was ordered forfeited in July, 1999, by Board Order 76-99.

Mr. Richmond introduced **Mr. Neill Flemister** of U.S. Energy. Mr. Flemister apologized for his failure to timely file reports and respond to other Board communication, and presented a plugging proposal to the Board which he wants approved in lieu of forfeiting U.S. Energy's bond. (Exhibit 8) Mr. Flemister distributed a letter from General Well Service stating they have a contract to plug the two Kimmer wells. He wants to try and get the Stufts well back into production, but if he can't by June, 2000, he'll plug both the Stuft and its offset well in the summer of 2000 (or Fall, 2000 at the latest if wheat is in). The Tollison well operated by U.S. Energy will still be in production, and Mr. Flemister assures the Board that production reports will be filed timely in the future.

MOTION: A motion was made by Mr. Kolstad to approve Mr. Flemister's above-described plugging plan in lieu of ordering the forfeiture of his bond as set forth in Board Order 76-99. It was seconded by Mr. Galuska and unanimously passed.

STAFF REPORTS

Mr. Richmond said he's been busy with coal bed methane issues.

Mr. Jim Halvorson said people from the North Dakota Industrial Commission and Geological Survey will be in the office November 4, 1999, to review RBDMS for potential use in North Dakota. He may go to Chicago to demonstrate the database to EPA Region 5. He and Mr. Richmond recently returned from a Ground Water Protection Council sponsored trip to Rhode Island where they demonstrated RBDMS.

Mr. Sasaki received notice from Mountain States Commercial Credit Management, Inc. (MSCCM) that Terrol Energy has requested a trial in the Board's attempt to recover plugging costs of the two Zimmerman wells. The notice from MSCCM also requested a witness list.

Mr. Sasaki said two wells in Toole County, originally drilled and plugged by Western Reserves, Inc., have been discovered leaking by Mr. Klotz, Shelby Field Supervisor. Both wells (Shelby No. 1 and Danielson No. 1) were released from bond (in 1983 and 1985 respectively). Mr. Sasaki wrote to Western Reserves, Inc, in care of Mr. Ron Lambarecht, about the leaking wells and received a letter from his attorney, Mr. Maxwell G. Battle, Jr. Mr. Sasaki asked how to proceed on getting Western Reserves to plug the wells. Mr. Garrity said the Board can't pursue Western Reserves, Inc. In this matter because the statute of limitations regarding collection of an obligation has run out.

Mr. Stan Lund questioned why the Board doesn't implement penalties for delinquent production reports. Ms. Perrigo reminded the Board, that with the current production reporting system, it is hard to tell who's actually delinquent in filing until 6-9 months after the report(s) are due. Chairman Ballard thought allowing people to file production reports electronically would solve a lot of the backlog and problem. Ms. Mitchell said in her accounting office its not the wells that have production that are problematic in regard to timely reporting--its the wells with no production. Mr. Richmond said it may also be possible under our new contract with Dan Arthur to have them write a program to file electronically.

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

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday, October 28, 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, testimony, and technical data placed before the Board, the following action was taken in each matter.

Docket No. 94-99 - A motion was made by Mr. King, seconded by Mr. Young and unanimously passed, to approve the application of Great Plains Operating, LLC as set forth in Board Order 85-99.

Docket No. 95-99 - A motion was made by Mr. Galuska, seconded by Mr. Lund and unanimously passed, to approve the application of Altamont Oil and Gas, Inc. as set forth in Board Order 86-99

Mr. Richmond introduced **Mr. Neill Flemister** of U.S. Energy. Mr. Flemister apologized for his failure to timely file reports and respond to other Board communication, and presented a plugging proposal to the Board which he wants approved in lieu of forfeiting U.S. Energy's bond. (Exhibit 8) Mr. Flemister distributed a letter from General Well Service stating they have a contract to plug the two Kimmer wells. He wants to try and get the Stufts well back into production, but if he can't by June, 2000, he'll plug both the Stuft and its offset well in the summer of 2000 (or Fall, 2000 at the latest if wheat is in). The Tollison well operated by U.S. Energy will still be in production, and Mr. Flemister assures the Board that production reports will be filed timely in the future.

MOTION: A motion was made by Mr. Kolstad to approve Mr. Flemister's above-described plugging plan in lieu of ordering the forfeiture of his bond as set forth in Board Order 76-99. It was seconded by Mr. Galuska and unanimously passed.

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

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Docket No. 96-99 - The application of Northern Oil Production, Inc. was continued until the December 9, 1999, public hearing.

Docket No. 97-99 - A motion was made by Ms. Mitchell, seconded by Mr. Galuska and unanimously passed, to approve the application of Fulton Fuel Company as set forth in Board Order 87-99.

Docket No. 98-99 - The application of Fulton Fuel Company was continued until the December 9, 1999, public hearing.

Docket No. 99-99 - A motion was made by Mr. Kolstad, seconded by Mr. Young and unanimously passed, to approve the application of Berco Resources, LLC as set forth in Board Order 88-99.

Docket No. 100-99 - The application of Luff Exploration was continued until the December 9, 1999, public hearing.

Docket No. 101-99 - The application of Klabzuba Oil & Gas, Inc. was continued until the December 9, 1999, public hearing.

Docket No. 102-99 - The application of Klabzuba Oil & Gas, Inc. was continued until the December 9, 1999, public hearing.

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Docket No. 111-99 - The application of Klabzuba Oil & Gas, Inc. was continued until the December 9, 1999, public hearing.

Docket No. 112-99 - The application of Klabzuba Oil & Gas, Inc. was continued until the December 9, 1999, public hearing.

Docket No. 113-99 - A motion was made by Mr. King, seconded by Mr. Galuska and unanimously passed, to approve the application of Klabzuba Oil & Gas, Inc. as set forth in Board Order 89-99.

Docket No. 114-99 - Upon recommendation by the Administrator, the administratively-referred application of J. Burns Brown Operating Company and Klabzuba Oil & Gas, Inc. was withdrawn.

Docket No. 85-99 - The application of Enernet of Wyoming was continued until the December 9, 1999, public hearing.

Docket No. 92-99 - The application of Ocean Energy Resources, Inc. was continued until the December 9, 1999, public hearing.

Docket No. 93-99 - A motion was made by Mr. Galuska, seconded by Mr. Young and unanimously passed, to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 90-99.

Docket No. 70-99 - A motion was made by Mr. Kolstad, seconded by Mr. King and unanimously passed, to order Central Resources, Inc. to pay the three $200 injection well fees plus a $100 per fee late charge (total $900) and plug its Sawyer #1 WIW, Sayer #1A WIW and the Nason-Kincheloe #2 well no later than December 8, 1999, as set forth in Board Order 91-99.

NEXT MEETING

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

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

David Ballard, Chairman

ATTEST:

Terri Perrigo, Executive Secretary

SBI Client Contract

For

Montana Board of Oil and Gas

Pursuant to the requirements of Management 458 – Business Policy course, this contract is written between the following named students and the Montana Board of Oil and Gas. This contract defines the objectives of the proposed project and the commitments of the students to the Board of Oil and Gas.

Objectives of the Project

- Determine and evaluate both the nature and severity of budgetary impacts endured by the Board of Oil and Gas caused by fluctuations in oil and gas prices. Develop forecasts for various economic scenarios and possible budgetary adjustments to mitigate the undesirable affects of these fluctuations.
- Catalog and analyze the Board's current business operations in terms of services provided to the industry. Gauge the regulated community's opinions and ideas via survey to obtain the level of customer satisfaction currently enjoyed by the Board and areas of the Board's operations that tend to be problematic or cumbersome for Montana oil producers. Evaluate and expand upon projects currently in progress to improve the Board's business services to the oil producing community particularly the improvements in Information Technology infrastructure for both customer and administrative ease of use.
- Compare Montana Board of Oil and Gas services, organizational dynamics, and general business practices to similar programs in neighboring oil and gas producing states.
- Report to the Board the current state of its operations. Recommend changes to increase efficiency and cut costs, but also note operations that are currently doing well.

Ch 10
Strategic audit

Commitments from the Students

We, the following named students, in the College of Business at Montana State University-Billings, have been assigned to work as consultants to the Montana Board of Oil and Gas. As consultants we may have access to confidential information about the organization or its employees and/or owner(s). We agree not to release any information about the organization or its employees and/or owners to any individual or organization except as required to complete the course requirements for Business Policy (e.g., faculty presentations), or to compete in contests associated with the college (e.g., the MDU award). We also agree not to use any of the information to engage in competition with the organization.

We agree to complete, to the very best of our ability, the objectives noted previously and present our findings to the Montana Board of Oil and Gas at its December 9, 1999 meeting. In addition to our final presentation to the Board, representatives of our group will attend the October 27, 1999 meeting in order to update the Board on the status of our project. In our efforts to complete this project, our methods will be open to scrutiny and be as accurate and concise as possible. All base data, as well as any mathematical calculations, will be made available in the appendices of our report.

Client Signature

Dave Ballard, Chairman
Montana Board of Oil and Gas

Student Signatures

Matt Foreman | Leah PrettyOnTop | Jodi Rossmiller | Dustin Temple

Offices:

1) To which office do you file reports?
   A. Shelby
   B. Helena
   C. Billings
   D. Not at all

2) To which office do you file permits?
   A. Shelby
   B. Helena
   C. Billings
   D. Not at all

3) Which office do you contact to verify records?
   A. Shelby
   B. Helena
   C. Billings
   D. Not at all

4) If you file reports, permits or verify records, how many times a month do you us one of the offices?
   A. 0-4 times
   B. 5-10 times
   C. 11-15 times
   D. 16+ times

5) Does this office have the information that you need?
   A. Yes
   B. No
   C. Sometimes

General Information:

6) Please list the types of information you obtain from the Montana Board of Oil and Gas (MBOG).

7) Please list the things you believe MBOG does the best.

8) Please list the things that MBOG does that frustrate you the most.

15) Rank the following: 3=what you prefer, 2=what you are willing to use, and 1=least liked

____I would prefer to file on the Internet.
____I would prefer to file the same as now.
____I would prefer to file in a combination of these.

Annual & Quarterly Reports:

16) Do you use the Annual reports in your business?

A. Yes
B. No

17) Do you throw the annual report away before viewing it?

A. Yes
B. No

18) Do you receive the Quarterly statistical reports?

A. Yes
B. No

19) How do you use them?

20) Would you like to access the Quarterly reports from the Internet?

A. Yes
B. No

Satisfation:

21) Check the face that best indicates your overall satisfaction with MBOS.

RONALD AND MARGRET SANNES
From Board Order 33-99, April 8, 1999 Hearing

April 8, 1999	BOGC Hearing, Mr. Sannes stated and I confirmed that the State 1-36 well had completed plugging operations as of this day. Board Order 33-99 issued ordering deferring payment of fine, ordering Mr. Sannes to plug one of 3 wells by 9/1/99, and orders Mr. Sannes to appear on May 19, 1999 at the Board's business meeting.
April 20, 1999	State 1-36 location tanks and treater still on location. Rods and tubing removed from location.
May 7, 1999	Verbal report from Inspector Darrel Hystad had inspected this location and found that the tanks and piping was removed from the well site. Earth moving equipment was on the location. Final restoration had not started yet. Weather conditions snowing.
May 18, 1999	Verbal report from Inspector Darrel Hystad. Location State 1-36, surface leasee called and stated final restoration work had not been completed.
June 2, 1999	Subsequent Report of Abandonment for the State 1-36 well received at the Boards office.
July 14, 1999	Ron Sannes appeared before the BOGC at its business meeting and stated that the State 1-36 well location had been seeded and was ready for final inspection. Mr. Sannes brought his tax accountant to the meeting to clarify his financial hardship status for the Board and to ask the Board for an time extension to October 1, 1999 deadline to have another of his wells plugged. The Board agreed to his request to extend his deadline to October 1, 1999 for the plugging of one of the three wells he said he could plug (Buxbaum No.1, A. Engen No.1, Trudell No. 1-6) under order No. 33-99.
August 19, 1999	On or about this day, I received a telephone call from Mr. Jake Lambert, Wisco Well Service, Mr. Sannes and himself were in his office in Williston, ND and had come to an agreement on plugging one of Mr. Sannes' wells. I asked which one and was told the Peterson No. 21-21. I told Mr. Lambert that I thought that was not one of the wells that Mr. Sannes had agreed to plug for the Board. I said I would check and fax a copy of Board Order No. 33-99 to him so he could see what Mr. Sannes had agreed to. I did fax the copy to Mr. Lambert that day.

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

IN THE MATTER OF AN INQUIRY INTO WHETHER THE BONDS OF RONALD M. AND MARGARET ANN SANNES SHOULD BE FORFEITED OR INCREASED.

ORDER NO. 33-99

Docket 38-99

Report of the Board

The above entitled cause came on regularly for hearing on the 8th day of April, 1999, 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. Ronald Sannes appeared before the Board and responded to a listing by the Board's Chief Field Inspector, Mr. Steve Sasaki, of the Sannes violations of Board rules to date. A copy of this three page report is attached to and made a part of this order.

3. Mr. Sannes agreed that he would plug and abandon either his Buxbaum No. 1 well, his A. Engen No. 1 well or his Trudell No 1-6 well. He also agreed he would reclaim the State 1-36 well not later than May 8, 1999.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that collection of the remainder of the fine imposed against Mr. and Mrs. Sannes be deferred until further order.

IT IS FURTHER ORDERED that respondents plug and abandon one of the three wells specified in Finding of Fact number 3 by September 1, 1999.

IT IS FURTHER ORDERED that Mr. Sannes appear before the Board at its business meeting on May 19, 1999, and document his successful reclamation of the State 1-36 well. At that time the Board may impose additional reporting requirements for Mr. Sannes to keep the Board informed of his progress in bringing his operations into compliance.

MONTANA BOARD OF OIL & GAS CONSERVATION

BOND ACTIVITY SUMMARY

September 8, 1999 through October 27, 1999

APPROVED BONDS

Michael T Buckley Sweetgrass, MT	1st State Bank of Shelby CD No. 174907-2968	Amount . . . . $5,000 Type . . . . Single-well Effective 8/24/99
S Bar B Ranch Chinook, MT	Trinity Universal Insurance Co. Surety No. 436190	Amount . . . . $10,000 Type . . . . Domestic Effective 8/30/99
TWO Taylor Well Operating Shelby, MT	1st State Bank of Shelby CD No. 2983	Amount . . . . $5,000 Type . . . . Single-well Effective 9/7/99
TWO Taylor Well Operating Shelby, MT	1st State Bank of Shelby CD No. 2993	Amount . . . . $1,500 Type . . . . Single-well Effective 9/20/99
Wessel Ranch Musselshell, MT	Hartford Fire Insurance Co. Surety No. 41BSBAF9250	Amount . . . . $1,500 Type . . . . Single-well Effective 9/27/99
Western Interior Energy, Inc. Denver, CO	American Casualty Company Surety No. 190721848	Amount . . . . $50,000 Type . . . . Multi-well Effective 10/12/99
Whiting Petroleum Corporation Denver, CO	United Pacific Insurance Company Surety No. U2761238	Amount . . . . $50,000 Type . . . . Multi-well Effective 11/1/99
William D. Roberts Spokane, WA	Norwest Bank, Conrad CD No. 9000073916	Amount . . . . $5,000 Type . . . . Single-well Effective 9/30/99

CANCELLED BONDS

Colorado Exploration Company San Antonio, TX	Norwest Bank, Helena CD No. 9000022381	Amount . . . . $25,000 Type . . . . Multi-well Effective 9/23/99
J.B. Operating Company, LP Havre, MT	1st Security Bank, Havre CD No. 4559	Amount . . . . $50,000 Type . . . . Multi-well Effective 9/23/99
Northstar Gas Company, Inc. Houston, TX	Underwriters Indemnity Company Surety No. B05402	Amount . . . . $25,000 Type . . . . Multi-well Effective 9/15/99
Ted Solomon Havre, MT	U.S.F. & G. Surety No. 28-0130-785-72	Amount . . . . $5,000 Type . . . . Single-well Effective 10/18/99
TWO Taylor Well Operating Shelby, MT	1st State Bank of Shelby CD No. 2983	Amount . . . . $5,000 Type . . . . Single-well Effective 9/20/99
Western Interior Energy, Inc. Denver, CO (Liabilities transferred to multi-well bond)	Continental Casualty Company Surety No. 141514541	Amount . . . . $10,000 Type . . . . Single-well Effective 10/12/99
Western Interior Energy, Inc. Denver, CO (Liabilities transferred to multi-well bond)	Continental Casualty Company Surety No. 158233187	Amount . . . . $10,000 Type . . . . Single-well Effective 10/12/99

CHANGES TO EXISTING BONDS

GeoStratum LLC (Wm Roberts dba) Spokane, WA (Name change from William D. Roberts)	Norwest Bank, Conrad CD No. 9000073916	Amount . . . . $5,000 Type . . . . Single-well Effective 10/13/99
Xeno, Inc. Calgary, Alberta, Canada ($25,000 CD added to existing $25,000 bond to create $50,000 bond)	US Bank, Havre CD No. 350020356514	Amount . . . . $50,000 Type . . . . Multi-well Effective 9/9/99

FORFEITED BONDS

Duard and Elmer Rossmiller Oilmont, MT ($5,000 check from American Casualty Co. received)	American Casualty Co. Surety No. 207685	Amount . . . . $5,000 Type . . . . Blanket Effective 7/15/99
Duard Rossmiller Oilmont, MT ($10,000 check from US Fire Insurance Co. recieved)	United States Fire Insurance Co.	Amount . . . . $10,000 Type . . . . Blanket Effective 7/15/99
United States Energy Corp. Longview, TX (Further negotiations with the Board requested)	US Fidelity and Guaranty Co. Surety No. 18-0130-1327-75	Amount . . . . $10,000 Type . . . . Blanket Effective 7/15/99

RIDERS TO EXISTING BONDS

Berco Resources, LLC Denver, CO (Name change from Berco Resources, Inc.)	Continental Casualty Company Surety No. 158577764	Amount . . . . $20,000 Type . . . . UIC Limited Effective 6/24/99
Berco Resources, LLC Denver, CO (Name change from Berco Resources, Inc.)	United Fire & Casualty Company Surety No. 55-102368	Amount . . . . $25,000 Type . . . . Multi-well Effective 9/29/99
Bowers Oil & Gas, Inc. Grand Junction, CO (Bond increased from $25,000)	U.S. Fidelity & Guaranty Company Surety No. 19-0130-10982-84-2	Amount . . . . $50,000 Type . . . . Multi-well Effective 9/15/99
Lyco Energy Corporation Dallas, TX (Name change from Lyco Operating Company)	Underwriters Indemnity Co. Surety No. UIB0005731	Amount . . . . $25,000 Type . . . . Multi-well Effective 10/14/99

EXHIBIT 5

BOARD OF OIL AND GAS CONSERVATION
FINANCIAL REPORT
Fiscal Year 2000 -- Through September 30, 1999
Percentage of Year Elapsed: 25%

OIL & GAS APPROPRIATIONS/EXPENDITURES/FUNDING

	REGULATORY PROGRAM			UIC PROGRAM			TOTAL HB2 PROGRAM		
EXPENDITURES	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent	Appropriation	Expended	Percent of Approp Spent
Salaries	573,102	75,629	13%	90,257	22,139	25%	663,359	97,769	15%
Other Comp	5,532	620	11%	976	180	18%	6,508	800	12%
Benefits	145,747	21,479	15%	26,324	5,613	21%	172,071	27,092	16%
Vacancy Savings	(18,863)			(2,913)			(21,776)		
Other Svcs	90,177	15,168	17%	77,790	5,438	7%	167,967	20,606	12%
Supplies	26,127	5,184	20%	19,064	1,185	6%	45,191	6,370	14%
Communications	31,317	3,568	11%	5,129	1,373	27%	36,446	4,941	14%
Travel	22,539	2,683	12%	12,609	2,651	21%	35,148	5,334	15%
Rent	12,865	3,036	24%	2,593	981	38%	15,458	4,017	26%
Utilities	7,418	1,269	17%	2,078	409	20%	9,496	1,678	18%
Repair/Maint	9,165	2,382	26%	3,390	894	26%	12,555	3,276	26%
Other Exps	12,221	5,196	43%	6,708	3,061	46%	18,929	8,257	44%
Equipment	39,756	22,570	57%	0	0	0%	39,756	22,570	57%
Debt Svc	0	0	0%	0	0	0%	0	0	0%
TOTAL	$957,103	$158,784	17%	$244,005	$43,925	18%	$1,201,108	202,709	17%
FUNDING									
State Special Revenue	957,103	158,784		244,005	43,925		1,201,108	202,709	
Federal Funds	0	0		0	0		0	0	
TOTAL FUNDING	$957,103	$158,784		$244,005	$43,925		$1,201,108	$202,709	17%
Appropriation Balance	$798,319			$200,080			$998,399		
Percentage Expended	17%			18%			17%		

OTHER APPROPRIATIONS/EXPENDITURES FROM STATE SPECIAL REVENUE ACCOUNT

DNRC Centralized Services	$65,235	0
Department of Revenue	$32,209	0

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT (02432)

	Total FY 2000	Total FYE 1999	Percentage YTD00:FYE99
Oil Production Tax	0	477,728	0.00
Gas Production Tax	0	149,872	0.00
Penalty & Interest	0	91	0.00
Drilling Permit Fees	6,475	23,875	0.27
UIC Permit Fees	0	160,400	0.00
Enhanced Recovery Filing Fee	123	0	0.00
Interest on Investments	4,209	25,255	0.17
Copies of Documents	2,726	7,941	0.34
Database Services	0	0	0.00
Other	413	589	0.70
TOTALS	$13,947	$845,751	0.02

INVESTMENT ACCOUNT BALANCES

Regulatory	$350,709
Damage Mitigation	$155,534

GRANT BALANCES

Name	Authorized Amt	Expended	Balance
Balco*	1,018,356	1,018,356	0
Devil's Basin	1,279	0	1,279
Oil Well Abandon DWSL	20,105	0	20,105
99A	300,000	0	300,000
99B	300,000	0	300,000
TOTALS	$1,639,740	$1,018,356	$621,384

*An additional $28,744.98 was spent on the Balco project from the Damage Mitigation Account, making the total project cost $1,047,101

MONTANA BOARD OF OIL AND GAS CONSERVATION

PUBLIC HEARING SCHEDULE FOR 2000

HEARING DATE	HEARING PLACE	APPLICATION DEADLINE
Thursday February 10, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday January 6, 2000
Thursday April 6, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday March 2, 2000
Thursday May 18, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday April 13, 2000
Thursday July 13, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday June 8, 2000
Thursday August 31, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday July 27, 2000
Thursday October 26, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday September 21, 2000
Thursday December 14, 2000	Billings Petroleum Club Sheraton Hotel Billings, Montana	Thursday November 9, 2000

Applications for public hearing may be filed at the address listed below, and are to be received by NOON on the respective application deadline. Although we will accept fax transmittals, your cooperation in providing the original application and four copies is appreciated. For more information or to request accomodation for a disability before a scheduled hearing, please contact Tom Richmond at (406) 656-0040 or Terri Perrigo at (406) 444-6675.

Mail applications to:

Tom Richmond, Administrator
Montana Board of Oil and Gas Conservation
2535 St. Johns Avenue
Billings, MT 59102
FAX: (406) 657-1604

PROPOSED PLUGGING COSTS FOR LIGHT ENERGY CLARK NO. 1

PLAN NO.1 SQUEEZE PLUG TO RED RIVER

Service Rig Costs:	Minimum 4 days rig time (10 hr. days) at $150.00/hr.	$ 6,000.00
	Plus Over the road permits	
	Additional equipment Saltwater tank	600.00
	Vacuum and Water truck	1,200.00
Cementing Costs:	Halliburton Plugging Plan No.1 squeeze plug To Red River Perfs	10,405.65
	Tool Service Charges	2,274.20
Wireline Charges:	Freepoint	2,175.00
	Cut Off	2,500.00
	Perforate	1,305.00
Restoration:	Location large 1.5 acres plus separate treater and battery location. Estimated cost to restore from Darrel Hystad.	12,000.00
	Total Cost Plan No.1:	**$38,459.85**

PLAN NO. 2 PLUG FROM 6500'

Service Rig Costs:	Minimum 4 days rig time (10 hr. days) at $150/hr.	$6,000.00
	Plus Over the road permits	
	Additional equipment - Saltwater tank	600.00
	Vacuum & Water Truck	1,200.00
Cementing Costs:	Halliburton Plugging Plan No.2 perforate and squeeze At 6500'	6,526.21
	Tool Service Charges	2,274.20
Wireline Charges:	Perforating	1,305.00
	FreePoint	2,175.00
	Cut Off	2,500.00
Restoration:	Location large 1.5 acres plus separate treater and battery location. Estimated cost to restore from Darrel Hystad.	12,000.00
	Total Cost Plan No.2:	**$34,580.41**

TURN KEY BID FROM A PLUGGING CONTRACTOR
P&A AS IN PROPOSAL NO.1 **$30,000.00**

United · States Energy · Corp.

October 27, 1999

Department of Natural Resources and Conservation
Board of Oil and Gas Conservation
Technical and Field Office
2536 St. Johns Ave
Billings, MT 59102-4693

Ladies and Gentlemen,

We are asking for reinstatement of our surety bond. We have filed our delinquent production reports and pledge to be in compliance with Board Rule 36.22.1242 at all times in the future. We have contracted with General Well Service in Cut Bank to plug the 2 Kimmer wells. Mr. Matts assures me they will be plugged as soon as his equipment is available, which is in the next few weeks. The Stufft well requires one more attempt at reestablishing commercial production. We are asking until next summer to make our final determination on this well. Our Tollison well is in production.

We are sincerely sorry our failure to file the reports has caused the board to act, but be assured we will never be out of compliance again.

Thank you

United States Energy Corp.
Neill C. Flemister, Jr.
President

P. O. BOX 3141 • LONGVIEW, TEXAS 75601 • 214 757-4111

GENERAL WELL SERVICE, INC.

BOX 1308

CUT BANK, MONTANA 59427
OFFICE PHONE (406) 873-5381
SHOP PHONE (406) 873-4862
FAX (406) 873-5063

October 26, 1999

To Whom It May Concern,

We have a contract with U.S. Energy to plug two wells, located in the Kemmer lease, Glacier County, Mt. We have filed the necessary sundry notices with the Board of Oil & Gas. This will be completed as soon as we have a rig available and we receive a cut off tool for cutting off the casing.

In you need anything further, please contact our office.

Sincerely,

Alan Matz

Alan Matz
Vice-President

ROTARY DRILLING RIGS-REVERSE CIRCULATING EQUIPMENT-SERVICE RIGS

WESTERN RESERVES, INC.

Two leaking plugged and abandoned wells in Toole County. These wells were discovered leaking by the surface owner Mr. Lynn Stewart. Inspector, Gary Klotz inspected the problem and established that the wells were drilled and plugged by Western Reserves, Inc.

Chronology of events:

8/82
Western Reserves, Inc. spudded the Shelby No.1 on August 24, 1982 and plugs and abandons well on August 27, 1982.

Western Reserves, Inc. spudded the Danielson No. 1 on September 21, 1999 and plugs and abandons well on September 24, 1982.

9/83
The Shelby No.1 was inspected by the inspector, Jack Kaiser on 9/19/83 and released from bond.

9/85
The Danielson No.1 was inspected by Field Supervisor, Floyd Podoll on 9/17/85 and released from bond.

9/98
Oral complaint from Mr. Lynn Stewart concerning gas leaking on his farmed surface, received around early October 1998.

10/98
Inspection done with Mr. Lynn Stewart by Shelby Field Inspector on October 8, 1998. Determined there was a gas leak causing surface problem.

Inspection with gas detection equipment of Montana Power Company on 10/15/98, 300 ppm gas detected over damaged area.

8/99
Oral complaint from Mr. Lynn Stewart concerning gas leaking on his farmed surface, received around August 1999.

Inspection done with Mr. Lynn Stewart by Shelby Field Inspector on August 26, 1999, with gas detection equipment of Montana Power Company, MPC personnel stated their nearest line was 40' away from this leak.