STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
June 13 & 14, 2012

BUSINESS MEETING

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Linda Nelson at 2:00 p.m., Wednesday, June 13, 2012 at the Fairgrounds Commercial Building in Sidney, Montana. Board members present were Chairman Nelson, Vice-Chairman Wayne Smith, Don Bradshaw, Ronald S. Efta, Jay Gunderson, Jack King and Bret Smelser. Staff present was Jim Halvorson, George Hudak, Gary Klotz, Terri Perrigo, Clyde Peterson, Tom Richmond, Steve Sasaki and Bob Schmidt.

APPROVAL OF MINUTES

A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the minutes of the April 25, 2012 business meeting.

PUBLIC COMMENT

Montana (MT) Tech – Scope of Work

John Getty of the MT Tech Petroleum Engineering Department and Tim Denton, a senior petroleum engineering student at MT Tech, presented the final Scope of Work for the field inspection and procedures manual project. It is attached as Exhibit 1. Mr. Getty also handed out a copy of a power point presentation on the Scope of Work, which is attached as Exhibit 2.

Mr. Getty said scoping team members came from the following five MT Tech departments: computer science, safety health and industrial hygiene, communications, environmental engineering and petroleum engineering. The team reviewed documents and went on a ride-along with Field Supervisor Klotz of the Northern District office. Mr. Getty said the team was very impressed with the MT field staff. They spent a lot of time on conference calls and did private interviews with people in the field. They also talked to staff at the Legislative Audit Division.

The scoping team identified two alternative recommendations. Path 1 would develop a paper manual while working with software engineers to build a computer system that hopefully in two years would be done. Path 2 – which is favored by the members of the team - would be the tablet approach and highly automated. If Path 2 were selected, the team recommends external help is obtained to assist Oil & Gas staff.

Mr. Richmond said he tried to steer the team more to development of paper process first instead of computer process. He thinks it could be difficult to implement new computer processes in the future because of the issue with DNRC Office of Information Technology (OIT) and the Board's database. There would be no problem implementing a paper-based process. Mr. Richmond thinks development of a paper process is the way to go. He would also like to see a method to prioritize inspections. Then the procedure manual would be developed followed by the field inspection manual.

Mr. Halvorson did a thorough review of the team's work. He felt there were some issues missed. It appears there is an assumption that every inspection performed is of a well. But that is not the case, field staff inspect seismic lines, listen to and look at surface owner concerns, investigate complaints, etc. The team needs to consider whether field inspectors will have to fill out paperwork or make an entry for everything they do all day – including non-well activities. He also agrees the first step should be to develop a way to prioritize inspections. Then after that, the system (whether paper or computer) will have to have two branches – one for wells and one for other inspections/activities.

Mr. Getty said the scoping team can mold the recommendation to contain a risk-based prioritization. He thought the task was to come back to the Board/staff for instructions on how to proceed. The discussion has been very informative and the team will work on incorporating Mr. Richmond and Mr. Halvorson's suggestions. Mr. Richmond agrees that this is the next step. But he also thinks the team has underestimated the amount of time it will take. He thinks the staff and the team need to get together and figure out the approach to take.

MOTION: Mr. Smelser made a motion, seconded by Mr. Gunderson and unanimously passed, to have the MT Tech team provide a formal proposal to the Board to do what has been discussed today – particularly adding the step to prioritize inspections.

Survey for Native Proppant in Montana

Mr. Getty presented Exhibit 3, a proposal to the Board for MT Tech to conduct a survey of native proppant resources in Montana. He also distributed Exhibit 4, a power point slide recap which he discussed.

They believe there are formations in the state that could produce proppant grade materials. No fully developed proppant mines exist in Montana. By the time proppant from Nebraska and/or Wisconsin gets to Montana the price has quadrupled.

This would be a two-part project: MT Tech wants funding for first year ($126,270) for Part 1, which would be to survey potential proppants, analyze them at the lab and develop a map.

Mr. Gunderson asked what are the criteria for making good proppant. Mr. Getty said ISO standard 13-503 is what they want, but there are other characteristics they look for, such as roundness and acid solubility.

Mr. King asked if Mr. Getty thought there would be a point where they could identify economies of different sands. He knows that different companies feel that ceramics are much better than sand, and that certain sands are better than other, etc. Will MT Tech have a handle on that when they are done?

Mr. Getty said the material will develop a history. MT Tech will not be able to predict acceptance into the market, but they can provide a side-by -side comparison with some of the materials being used today. He says the MT Tech role would be to determine if there are worthwhile formations for people to look at. He would put the sands they analyze and the ISO characteristics associated with them out on the internet so companies could decide if they want to contract with the various sand owners.

Mr. Smelser asked if Haliburton or Slumberger have shown any interest in this. Mr. Getty said he has shown it to a couple of service companies and they think it is a great project.

MOTION: Mr. Bradshaw made motion, seconded by Mr. King and unanimously approved, to contract with MT. Tech for the proppant study for the 1st phase at an amount of $126, 270.

PUBLIC COMMENT

Chairman Nelson talked about notice for 1280-acre spacing. She said it was discussed at length at the last Northeast Montana Land & Mineral Owners Association (NEMLMOA) meeting where she was present. The audience at NEMLMOA questioned whether the board's way of adopting the special statewide spacing through docket instead of through administrative rule was correct.

Dwight Vannatta

Mr. Dwight Vannatta, a mineral owner from Bainville MT, brought up three matters with the Board.

First Matter

The first, attached as Exhibit 5, requests the Board to make spacing units in the Richland, Roosevelt and Sheridan county areas two, half-section stand-ups instead of two, full section stand-ups. Mr. Vannatta does not think a spacing unit should be two whole sections standing up. He thinks with the configuration he suggests, companies could still have the long lateral necessary for Bakken drilling; but with only half-sections in the spacing units the mineral owner would be able to lease out the other side of the section .

Mr. Pat Wilson was present and said he agrees with Mr. Vannatta. He protested 4-section spacing units last year. The fact that one marginally producing well could hold by production almost 2600 acres is not right and it also circumvents the Pugh clause. What Mr. Vannatta suggests would help balance the rights of mineral owners with the rights of oil companies.

Mr. Smelser said the Board made the decision to mirror-up to what North Dakota spacing was: two-section with 200' heel/toe setbacks. The decision has done more for oil and gas development than anything else the Board has done since he has been on it. It is advantageous to the mineral owners, the oil companies and the State of Montana.

Dennis Trudell of NEMLMOA said Mr. Vannatta is talking about the same thing he said at a Board hearing a couple of months ago. Many more people are seeing the value of not allowing companies to drill only one well on a 1280; but if you had half-section stand-ups instead of full-section stand-ups, the oil companies would still have the ability to drill a two-mile lateral but the mineral owners would be able to lease out the other half-section to get a well drilled on it too. It seems that the companies want to be partners in the initial well, but then not drill the infills. This is why this issue is so big.

Mr. Trudell said he doesn't want to change what has been done but he doesn't think the Board necessarily has to keep going the same way. It could change things and allow smaller spacing. Or the Board could require that companies drill a second well within a certain amount of time. To just leave it the way it is doesn't help the mineral owner at all when they have two-section spacing and only one well. He is even seeing now that leases are being written with limitations about how long before a second well has to be drilled. He thinks mineral owners will have to go to court. He thinks it is unfortunate if mineral owners are forced into this situation.

Mr. Trudell thinks it is within the authority of the Board to make smaller spacing units. He thinks mineral owner rights are just as important as oil company rights. The Board has the authority to make different decisions. Spacing is up to the Board. It is not in the lease that the company is going to ask for a two-section spacing unit. It doesn't say in the lease what size the spacing units are going to be. And there should be a time limit on drilling the second well. It can be done via the lease, but he has found out that even if a person has a lease with time limit language in it, the Board has no authority over leases so if you bring it to the Board they can't do anything about it. So because the Board does not act on lease issues involving lease language, companies end up doing things differently than stipulated in the lease.

Mr. Peterson said over the last three years there has been progression, and the Board has heard concerns regarding size of spacing units, infill wells, etc. And based on what they have heard, the Board has made decisions. If something is brought to the Board regarding something in the lease, the Board is not going to start arbitrating whether or not a company is doing the right thing under the terms of the lease. The Board is not going to get involved in the lease, but they are willing to hear what mineral owners say and that information goes into the "pot" of knowledge that is accumulating.

Mr. Trudell said up to this point the Board's decisions have been made mostly on company requests to have 1280-acre spacing. Testimony convinced the Board that frac'ing only goes out so far, and that convinced the Board to relax the setbacks. Mr. Trudell is not questioning the closer setback. It is the 1280-acre spacing and the fairness issue between balancing mineral owner rights with oil company rights in regard to something smaller. Mr. Trudell said, once again, he thinks the Board definitely has the authority to limit spacing to 640 acres.

Mr. Peterson reminded the audience that correlative rights run both ways. Before making decisions, the Board needs to see technical evidence. Companies have come in with technical evidence that has convinced the Board to make certain decisions. Until the Board hears and/or is shown technical evidence that convinces them otherwise, it will probably continue down the path it is on. But if someone wants a different spacing unit than what is designated "statewide" in the area, they can come to the Board and ask for an exception.

Mr. Smith said he does not want to be making configuration decisions for oil companies. They should be able to develop their resources as they desire. He said he understands Mr. Trudell and Mr. Vannatta's concerns, but when they entered into their leases they had the opportunity to put in conditions.

Mr. Richmond said the spacing unit has nothing to do with the lease. Statute says a spacing unit must provide for orderly development of the pool uniformly as a whole. Changing statewide in those three counties to 1280's meant the Board could properly promote orderly development. When the Board routinely authorized 640's in the three counties, it found itself having to approve four-section overlapping spacing units to adequately drain the pool. When mineral owners ask the Board to consider the effect spacing units have on leasing, that is not within the Board's jurisdiction. Statute does not say the Board has to consider someone's lease when it establishes spacing.

Mr. Trudell is not saying the Board should look at lease terms. What he is saying is that the Board made decisions about how to best start the Elm Coulee process. It and the mineral owners had no idea how to handle horizontal drilling and spacing. Eventually it was decided that 1280's were the proper way to go, and now mineral owners are looking at all the acreage that is held by one well. Their only hope is that the companies come back and do infill wells.

Ms. Annie Ostby disagrees with Mr. Richmond. She does not believe it is possible to eviscerate a spacing unit from a lease. Board rules define a spacing unit as what one well will drain. When mineral owners start demanding Pugh clauses be put in their leases, those clauses stipulate production only holds the lease

for the spacing unit. The whole definition of a spacing unit is a problem. For the Board to be authorizing two-section spacing units for one well is hard to justify. But because the Board has established special statewide spacing, via order, that sets up these two-section spacing units it will be hard for mineral owners to go to court against this. The intersection between private law and administrative procedure gets very involved. She thinks the Board needs to be very careful. Spacing to mineral owners means what one well will drain.

No action was taken on this matter.

Second Matter

Mr. Vannatta's second proposal is attached as Exhibit 6. He requests that the present notification rule be amended by: 1) adding that all surface and mineral owners in and adjacent to proposed spacing units be notified in writing along with the public notice; and 2) that the time frame should be 30 days prior instead of 10 days prior.

The problem with 1280's statewide in Richland, Roosevelt and Sheridan counties, is that the only notice mineral owners get that a well will be drilled is the notice of intent to drill published by the oil companies in the county paper. That notice has a 10-day period after publication for people to protest or request a hearing. This does not give people who may protest enough time, nor is the one publication of an intent to drill always seen by mineral owners.

Chairman Nelson asked if the Board wanted to pursue this. Mr. Smelser would like some guidance from Mr. Peterson and/or Mr. Richmond at the next meeting. Mr. Halvorson said things have changed, i.e. zipper frac's, common well pads and 500' inter-well distance, and staff needs to think about them for a while. Mr. Richmond said there are three options: 1) stay where we are; 2) withdraw special statewide spacing; or 3) put notice requirements in the rulebook, and he doesn't like that. He does not know what else the Board could do. He doesn't know how the Board would require additional notice to mineral owners. He thinks the only option is to leave it like it is or withdraw the special statewide spacing in those three counties.

Mr. Peterson said that is one of the reasons the special statewide spacing was done through an order and not through rulemaking. Once something is in rule it is permanent until you remove it. That is not the case with an order - with orders the Board can make changes as it sees fit. Mr. Peterson said another possible solution would be to put all the applications for two-section spacing units on the Default Docket and if there are any protests the applications are heard.

Chairman Nelson asked if Mr. Richmond and Mr. Peterson could look into these issues by the next business meeting and report back to the Board.

DECISION: Mr. Richmond and Mr. Peterson will look into notice issues brought up by Mr. Vannatta in Exhibit 6 and report back at the next business meeting.

THIRD MATTER

Mr. Vannatta's third proposal is to have the board write a letter to DNRC and request that it prioritize and expedite water right applications for oil and gas exploration. His proposal is attached as Exhibit 7. Mr. Richmond is hesitant to do this. He has talked to Tim Davis, head of DNRC Water Resources Division, and they are sensitive to the issue and are trying to speed up the process. But there are concerns about whether someone can change their water use back to agricultural once it has been used for something else. There are also concerns about selling water for frac purpose then not getting the permit back for

agriculture use. Another concern is that just because someone has the right to use certain amount of water they may not have the ability to sell it all. There is also some concern about selling frac water from ponds. Exempt wells are ok to get frac water from, but only under certain conditions (no more than 32 gal/min and 10 acre feet per year). Mr. Richmond said there is no need to write a letter because DNRC already knows about the need to expedite the process.

Financial Report

Ms. Perrigo presented the financial report attached as Exhibit 8

Bond Summary

Mr. Halvorson handed out the bond summary attached as Exhibit 9.

Docket Summary

Mr. Halvorson distributed and discussed the Docket Summary (Exhibit 10) and the associated lists of Default Docket applications (Exhibit 11) and Dockets to be Heard (Exhibit 12).

Mr. Halvorson said Docket 352-2011, the Show Cause hearing for G/S Producing, Inc. (which was docketed because of alleged failure to comply with MCA 82-10-503 re: surface owner notification to Mr. Mark Copenhaver), has been requested to be continued by Mr. Copenhaver because of family medical emergency.

MOTION: Mr. Smelser made a motion, seconded by Mr. Gunderson and unanimously passed, to continue Docket 352-2012 until the August 2012 hearing.

Staff Reports

Mr. Sasaki said Longshot Oil, LLC paid its $500 fine and got its paperwork in. Cabot Oil & Gas Corporation (Cabot) was fined the same amount for failure to turn in paperwork, but the fine has not been received yet.

MOTION: A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to increase Cabot's fine to $750 with a Show Cause hearing to be scheduled for August if the total fine is not received by the July 12th filing deadline for the August meeting.

Mr. Sasaki brought up the letter sent to Chairman Nelson by the Fort Peck Tribes, which is attached as Exhibit 13 and requests that the Board incorporate the Tribe's stipulations/lease conditions into applications for permit to drill. Mr. Peterson said what the Tribes are asking is beyond the scope of the Board's authority. Pascual Laborda of the BLM said many of the tribal stipulations are the responsibility of the BIA and are actually beyond tribal jurisdiction.

DECISION: Mr. Laborda and Mr. Peterson will come up with a joint response for the Chairman to send to the Tribe.

Mr. Sasaki said one of the Board's orphaned wells, the Gendreau 1-24 had an emergency spill. An oily spill was created when a cow brushed up against a handle left on a valve. It has been cleaned up.

Mr. Richmond discussed what is happening with the database and computer system. Mr. Richmond told the Board we are going to lose control over our computer system and it is going to cost us a lot of money. He was told by the director of DNRC Mary Sexton to move the Board's server to the state managed data center in Helena. It is currently hosted free of charge on the Ground Water Protection Council (GWPC) server.

Next week Mr. Richmond and Mr. Halvorson are having a meeting with DNRC OIT people to determine the way to proceed. It will cost approximately $25,000 to house the database at the Helena data center and DNRC has already said the Board will be responsible for at least ¼ the cost of an FTE to manage our database. He is not sure how to pay for it. DNRC seems to believe that if we move the existing database to the state center it will all continue to work as usual.

Mr. Richmond said Director Sexton has a legal opinion from ITSD that says she is legally responsible for the Board's database. At this point the Board has to go along with it, but cost will be a problem. If it really does work and Board, staff and the public still have access as it does now, all will be fine. But his concern is that DNRC OIT will determine that things need fixed and/or updated in order to make the transition. That means more costs. All of this will be necessary to make what already works fine at GWPC compatible with the state data center.

Mr. Gunderson asked if the Board is required to keep a public database. Mr. Richmond said the only statutory requirement regarding the Board's data is to make it available to the Bureau of Mines. Mr. Gunderson asked if this goes the state IT route does the Board necessarily have to take the current database down. Mr. Richmond said no, but the plan is that it will still work after it is moved to the state data center so there would be no need for a duplicate system. But when you start moving stuff around you run into problems with the software that is being supported by the state vs. the software you are using. Mr. Richmond said he requested some sort of transition plan in writing. His request has not been successful yet.

DECISION: Mr. Richmond will redo the request for a transition plan in writing and say BOGC wants to know how much it will cost and what all is involved with the transition.

Mr. Richmond reported that the Schweitzer administration has decided to sponsor a separate bill for Bakken boom. He was asked to submit a request for 3.0 additional FTE to be included in the bill: two field inspectors and an enforcement/compliance person. Mr. Smith asked where the new field inspectors would be located. Mr. Richmond said wherever they are needed, but that we did not have to specify the locations of the new positions in the bill. There are not a lot of permits right now, but there is a certain level of activity in Eastern Montana. A lot depends on the Chouteau area and the Heath play in Eastern Montana.

Mr. Smith is concerned that a lot of the current field inspectors are getting older and that the day will come when they retire. He asked if there is any transition planning taking place. Mr. Richmond said we have hired a new, younger field inspector in the Miles City area and the more seasoned inspectors are training him.

Mr. Richmond commented that the MT Tech project presentation was not as he envisioned it: as a field inspection manual and training program for field inspections. Training should be another deliverable. Mr. Richmond said the first thing that needs done is a method for prioritizing field inspections. That will determine a lot.

Mr. Richmond discussed the budget for the next biennium. MT Tech studies except Elm Coulee EOR are not in the budget. Senator Keane knows he'll have to put funds back in the budget to fund the education program.

With no further business, the meeting adjourned at 5:30.

PUBLIC HEARING.

The Board reconvened at 8:00 a.m. on Thursday June 14, 2012 at the Fairgrounds Commercial Building in Sidney, Montana, 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. 242-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. Efta and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 212-2012.

Docket No. 243-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 213-2012.

Docket No. 244-2012– The application of Slawson Exploration Company, Inc. was continued to the August 2012 hearing.

Docket No. 245-2012 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 214-2012.

Docket No. 246-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 215-2012.

Docket No. 247-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 216-2012.

Docket No. 248-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 217-2012.

Docket No. 249-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 218-2012.

Docket No. 250-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 219-2012.

Docket No. 251-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 220-2012.

Docket No. 252-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 221-2012.

Docket No. 253-2012 – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 222-2012.

Docket No. 254-2012 – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 223-2012.

Docket No. 255-2012 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 224-2012.

Docket No. 256-2012 – A motion was made by Mr. Gunderson, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 225-2012.

Docket No. 257-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 226-2012.

Docket No. 258-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 227-2012.

Docket No. 259-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 228-2012.

Docket No. 260-2012 – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 229-2012.

Docket No. 261-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 230-2012.

Docket No. 262-2012– The application of Slawson Exploration Company, Inc. was continued to the August 2012 hearing.

Docket No. 263-2012 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 231-2012.

Docket No. 264-2012 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 232-2012.

Docket No. 265-2012 – The application of Whiting Oil and Gas Corporation was withdrawn.

Docket No. 266-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Whiting Oil and Gas Corporation was approved as set forth in Board Order 233-2012.

Docket No. 267-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Whiting Oil and Gas Corporation was approved as set forth in Board Order 234-2012.

Docket No. 268-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Whiting Oil and Gas Corporation was approved as set forth in Board Order 235-2012.

Docket No. 269-2012 – The application of Whiting Oil and Gas Corporation was continued to the August 2012 hearing.

Docket No. 270-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Whiting Oil and Gas Corporation was approved as set forth in Board Order 303-2012. (NOTE: this Order number is out of sequence)

Docket No. 271-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Cirque Resources LP was approved as set forth in Board Order 236-2012.

Docket No. 272-2012 – The application of Cirque Resources LP was continued to the August 2012 hearing.

Docket No. 273-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. Gunderson and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 237-2012.

Docket No. 274-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. Gunderson and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 238-2012.

Docket No. 275-2012 – The application of XTO Energy Inc. was continued to the August 2012 hearing.

Docket No. 276-2012 – A motion was made by Mr. Gunderson, seconded by Mr. Smelser and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 239-2012.

Docket No. 277-2012 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 240-2012.

Docket No. 278-2012 – The application of XTO Energy Inc. was withdrawn.

Docket No. 279-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of XTO Energy Inc. was approved as set forth in Board Order 241-2012.

Docket No. 280-2012 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 242-2012.

Docket No. 281-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of XTO Energy Inc. was approved as set forth in Board Order 243-2012.

Docket No. 282-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of XTO Energy Inc. was approved as set forth in Board Order 244-2012.

Docket No. 283-2012 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of XTO Energy Inc. as set forth in Board Order 245-2012.

Docket No. 284-2012 – The application of XTO Energy Inc. was continued to the August 2012 hearing.

Docket No. 285-2012 – The application of TAQA North USA, Inc. was continued to the August 2012 hearing.

Docket No. 286-2012 – The application of TAQA North USA, Inc. was continued to the August 2012 hearing.

Docket No. 287-2012 – The application of TAQA North USA, Inc. was continued to the August 2012 hearing.

Docket No. 288-2012 – The application of TAQA North USA, Inc. was continued to the August 2012 hearing.

Docket No. 289-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 246-2012.

Docket No. 290-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 247-2012.

Docket No. 291-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 248-2012.

Docket No. 292-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 249-2012.

Docket No. 293-2012 – The application of Fidelity Exploration & Production Company was withdrawn.

Docket No. 294-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 250-2012.

Docket No. 295-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 251-2012.

Docket No. 296-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 252-2012.

Docket No. 297-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 253-2012.

Docket No. 298-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fidelity Exploration & Production Company was approved as set forth in Board Order 254-2012.

Docket No. 299-2012 – A motion was made by Mr. Smith, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Fidelity Exploration & Production Company as set forth in Board Order 255-2012.

Docket No. 300-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Shale Bakken Investment Corporation was approved as set forth in Board Order 256-2012.

Docket No. 301-2012 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Shale Bakken Investment Corporation as set forth in Board Order 257-2012.

Docket No. 302-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Shale Bakken Investment Corporation was approved as set forth in Board Order 258-2012.

Docket No. 303-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Shale Bakken Investment Corporation was approved as set forth in Board Order 259-2012.

Docket No. 304-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 260-2012.

Docket No. 305-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 261-2012.

Docket No. 306-2012 & 27-2012 FED – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 262-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 307-2012 & 28-2012 FED – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 263-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 308-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 264-2012.

Docket No. 309-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Marathon Oil Company was approved as set forth in Board Order 265-2012.

Docket No. 310-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of True Oil LLC was approved as set forth in Board Order 266-2012.

Docket No. 311-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum North America LLC was approved as set forth in Board Order 267-2012.

Docket No. 312-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum, Inc. was approved as set forth in Board Order 268-2012.

Docket No. 313-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum, Inc. was approved as set forth in Board Order 269-2012.

Docket No. 314-2012 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 270-2012.

Docket No. 315-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. King and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 271-2012.

Docket No. 316-2012 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 272-2012.

Docket No. 317-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum, Inc. was approved as set forth in Board Order 273-2012.

Docket No. 318-2012 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 274-2012.

Docket No. 319-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum, Inc. was approved as set forth in Board Order 275-2012.

Docket No. 320-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Oasis Petroleum, Inc. was approved as set forth in Board Order 276-2012.

Docket No. 321-2012 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 277-2012.

Docket No. 322-2012 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 278-2012.

Docket No. 323-2012 & 29-2012 FED – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 279-2012.

Docket No. 324-2012 – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 280-2012.

Docket No. 325-2012 & 30-2012 FED – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 281-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 326-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. King and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 282-2012.

Docket No. 327-2012 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 283-2012.

Docket No. 328-2012 & 31-2012 FED – A motion was made by Mr. King, seconded by Mr. Smelser and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 284-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 329-2012 – A motion was made by Mr. Smelser, seconded by Mr. Efta and unanimously passed, to approve the application of Brigham Oil & Gas, LP as set forth in Board Order 285-2012.

Docket No. 330-2012 and 32-2012 FED – The application of Anadarko Minerals, Inc. involves land under the jurisdiction of the BLM. The order will be issued by the BLM.

Docket No. 331-2012 and 33-2012 FED – The application of Anadarko Minerals, Inc. involves land under the jurisdiction of the BLM. The order will be issued by the BLM.

Docket No. 332-2012 and 34-2012 FED – The application of Anadarko Minerals, Inc. involves land under the jurisdiction of the BLM. The order will be issued by the BLM.

Docket No. 333-2012 – The application of Abyssal Saltwater Disposal, LLC was continued to the August 2012 hearing.

Docket No. 334-2012 & 35-2012 FED – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Samson Oil & Gas USA Montana, Inc. as set forth in Board Order 286-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 335-2012 & 36-2012 FED – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Samson Oil & Gas USA Montana, Inc. as set forth in Board Order 287-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 336-2012 & 37-2012 FED – A motion was made by Mr. Smith, seconded by Mr. Gunderson and unanimously passed, to approve the application of Samson Oil & Gas USA Montana, Inc. as set forth in Board Order 288-2012. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to Indian lands included in the application.

Docket No. 337-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 289-2012.

Docket No. 338-2012 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 339-2012 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 340-2012 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 341-2012 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 342-2012 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 343-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 290-2012.

Docket No. 344-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 291-2012.

Docket No. 345-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 292-2012.

Docket No. 346-2012 – The application of Denbury Onshore, LLC was continued to the August 2012 hearing.

Docket No. 347-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Somont Oil Company was approved as set forth in Board Order 293-2012.

Docket No. 348-2012 – The application of Somont Oil Company was withdrawn.

Docket No. 349-2012 – The application of Somont Oil Company was withdrawn.

Docket No. 350-2012 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Highline Exploration, Inc. as set forth in Board Order 294-2012.

Docket No. 302-2011 – The application of G3 Operating, LLC was continued to the August 2012 hearing.

Docket No. 394-2011 – A motion was made by Mr. Gunderson, seconded by Mr. King and unanimously passed, to approve the application of TOI Operating as set forth in Board Order 295-2012, with the stipulation that TOI post a $50,000 for the injection well authorized in this order. .

Docket No. 487-2011 – The application of Central Montana Resources, LLC was continued to the August 2012 hearing.

Docket No. 552-2011 & 16-2012 FED – The application of Decker Operating Company was continued to the August 2012 hearing.

Docket No. 91-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Shadwell Resources Group, LLC was approved as set forth in Board Order 296-2012.

Docket No. 112-2012 – The application of Central Montana Resources, LLC was continued to the August 2012 hearing.

Docket No. 198-2012 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Slawson Exploration Company, Inc. was approved as set forth in Board Order 297-2012.

Docket No. 231-2012 – A motion was made by Mr. Gunderson, seconded by Mr. Smelser and unanimously passed, to approve the application of Brigham Oil & Gas, LP as set forth in Board Order 298-2012.

Docket No. 233-2012 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Brigham Oil & Gas, LP as set forth in Board Order 299-2012.

Docket No. 237-2012 – A motion was made by Mr. Bradshaw, seconded by Mr. Gunderson and unanimously passed, to approve the application of Brigham Oil & Gas, LP as set forth in Board Order 300-2012.

Docket No. 241-2012 – The application of Sagebrush Resources II, LLC was withdrawn.

Docket No. 351-2012 – A motion was made by Mr. Gunderson, seconded by Mr. Smelser and unanimously passed, to fine Native American Energy Group, Inc. $1000: $500 for failure to clean-up the Wright 5-35 location; and $500 for failure to clean up the Beery #2 location. It was also ordered that if the fine is not paid and the locations are not cleaned up by July 12, 2012, the fine is doubled and Native American Energy Group, Inc. will be scheduled for another show-cause at the Board's August 2012 hearing. This is set forth in Board Order 301-2012. Mr. Bradshaw recused himself from this matter.

Docket No. 352-2012 – the show-cause hearing of G/S Producing, Inc, was continued to the August 2012 hearing.

Docket No. 353-2012– A motion was made by Mr. Smelser, seconded by Mr. Smith and unanimously passed, to fine Brent Zimmerman $2000 for failure to appear and failure to clean-up the Heringer 11-21 well located in Section 11, T30N-R44E, Valley County, Montana. It was further ordered that if the Heringer well site is cleaned up by July 12, 2012 docket filing deadline, Mr. Zimmerman can appear and request the fine assessed in this order be reduced or eliminated at the continued hearing on this matter which will be scheduled for the Board's August 9, 2012 public hearing. This is set forth in Board Order 302-2012. Mr. King recused himself from this matter.

NEXT MEETING

The next business meeting of the Board will be Wednesday, August 8, 2012 at 2:00 p.m. at 2535 St. Johns Avenue in Billings, Montana. The next regular public hearing will be Thursday, August 9, 2012, beginning at 8:00 a.m. at Fairgrounds Commercial Building in Sidney, Montana. The filing deadline for the August 9, 2012, public hearing is July 12, 2012.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

Linda Nelson, Chairman
Wayne Smith, Vice-Chairman
Don Bradshaw
Ronald S. Efta
Jay Gunderson
Jack King
Bret Smelser

ATTEST:

Terri H. Perrigo, Executive Secretary