

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION 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, September 5, 2007 in the conference room of the Petroleum Club on the 22nd floor of the Crowne Plaza Billings in Billings, Montana. Board members present were Chairman Linda Nelson, Vice-Chairman Wayne Smith, Don Bradshaw, Ronald S. Efta, Jack King, Bret Smelser and Joan Stahl. Staff present were Jim Halvorson, George Hudak, Terri Perrigo, Norman Clyde Peterson, Tom Richmond and Steve Sasaki.

APPROVAL OF MINUTES

Chairman Nelson requested that the July minutes be changed to reflect that the \$32,000 for the Energy Council is for dues only.

MOTION: Mr. King made a motion to approve the minutes of the July 25 with the change requested by the Chairman. The motion was seconded by Ms. Stahl and passed unanimously.

OPPORTUNITY FOR PUBLIC COMMENT

Dennis Neal Ostby asked questions about the Forest Oil applications docketed for hearing tomorrow. He will be present at the hearing along with other members of his family to inform the Board of their concerns.

DNRC TRUST LANDS – RANCK OIL

DNRC Trust Lands Division had requested that Ranck Oil (Ranck) be on the business meeting agenda to discuss the plugging of wells on two state leases: the State 14-16 and 41-24 wells in Pondera County, Montana. Attorney Don Lee was present to represent Ranck Oil. No one from DNRC Trust Lands was present. Liquid Gold Well Service has been hired by Ranck to plug the State 14-16 well. However, Ranck has no plans to plug the State 41-24 well because they aren't producing it and can't get access to it. Mr. Lee said the lease for the 41-24 well is surrounded by private land and the private landowner won't allow Ranck access unless they pay money. There is also indication someone may be hooked up to the well. Ranck doesn't feel they should be penalized twice in this matter. They purchased a state lease they can't get access to, and now the state wants to force them to plug the well they can't access that someone else may be producing. Mr. Peterson, the Board's attorney, said there is no issue for the Board to address and no action was taken.

BOND REPORT

Mr. Halvorson presented the Bond Report attached as Exhibit 1. In the future, the bond report will be included in the packet he sends Board members prior to the hearing. He updated the Board on an unexpected outcome of the rule change about not accepting certificates of deposit (CD) from out of state banks. Now because of the recent Patriot Act, anyone attempting to take out a CD from a Montana bank must physically appear at the bank in order for the CD to be issued.

FINANCIAL REPORT

Ms. Perrigo handed out the financial report attached as Exhibit 2.

DEFAULT DOCKET

Mr. Halvorson presented the docket status sheet attached as Exhibit 3.

STAFF REPORTS

Mr. Hudak said Encore Operating has been found violating injection pressure regulations three times in two months in Elk Basin Field. He recommends fining them \$500 and if it happens again he will docket it for hearing.

MOTION: Mr. Smelser made a motion to fine Encore Operating \$500 for violating injection pressure regulations in Elk Basin Field. Mr. Efta seconded the motion and it passed unanimously.

Mr. Halvorson had follow-up business from Show-Cause hearings and orders from July regarding delinquent production reports and associated fines: 1) as per Order 230-2007, Rocky Mountain Gas was supposed to have submitted its delinquent reports and paid its \$1480 fine by September 5th. That has not happened. Mr. Halvorson recommends Rocky Mountain Gas be scheduled for a Show-Cause hearing in October; and 2) as per Board Order 229-2007, Yellowstone Petroleum was ordered to pay \$1400 for delinquent production reports. The reports were received but not the fine. Mr. Halvorson recommends the Board reconsider this matter at the October business meeting, and if Yellowstone Petroleum is not in full compliance at that time a Show-Cause hearing be scheduled for December.

MOTION: Mr. Smith made a motion to accept Mr. Halvorson's recommendations on both the above matters. Ms. Stahl seconded the motion and it passed unanimously.

Mr. Richmond handed out Exhibit 4, the Flying J Oil & Gas, Inc. (Flying J) progress report regarding excessive gas flaring at the Ruegsegger 4N-24H well in Section 24, T36N-R52E, Sheridan County, Montana. He recommends the Board give authority to Flying J to flare excess gas from this well until December 6, 2007. That is the date of the Board's December hearing and if Flying J needs to extend its authority to flare excess, they will need to docket a hearing on the matter.

Mr. Richmond distributed Exhibit 5, a clarification memo from DNRC's chief legal counsel to DNRC's director about oversight the department has over commissions attached for administrative purposes.

Mr. Richmond said a new Interstate Oil and Gas Compact Commission (IOGCC) chairperson sent a letter out to Governors asking them to appoint more active members to IOGCC committees. Mr. Richmond said there are already enough appointees in most states including Montana. He will draft a letter to the Governor for Chairman Nelson that reiterates appointments already made to IOGCC and lists former appointees that can be deleted from committee rosters.

Mr. Richmond and Mr. Bradshaw will be attending the Interstate Oil and Gas Compact Commission annual meeting on September 22nd.

Mr. Bradshaw said the Governor's office would like a letter from Chairman Nelson regarding the Board's vote to pay the \$32,000 dues to join the Energy Council. Chairman Nelson will write the letter.

Mr. Sasaki reported that Constitution Gas Transport paid its \$2500 fine for failure to apply for permanent spacing for the Burlington Resources 1-25 well. He also reported that the Board used damage mitigation funds to do emergency clean-up on orphaned wells in Snyder Creek Field.

Mr. Smelser, incoming president of League of Cities and Towns, thanked the Board for the additional impact money to cities and towns from its rate reduction.

With no further business, the business meeting adjourned at 3:30 pm

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday September 6th, 2007, in the conference room of the Billings Petroleum Club on the 22nd floor of the Crowne Plaza Billings, 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. 292-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Stewart Geological, Inc. was approved as set forth in Board Order 231-2007.

Docket No. 293-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Pinnacle Gas Resources, Inc. was approved as set forth in Board Order 232-2007.

Docket No. 294-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Pinnacle Gas Resources, Inc. was approved as set forth in Board Order 233-2007.

Docket No. 295-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Pinnacle Gas Resources, Inc. was approved as set forth in Board Order 234-2007.

Docket No. 296-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Headington Oil, Limited Partnership was approved as set forth in Board Order 235-2007.

Docket No. 297-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 236-2007.

Docket No. 298-2007 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 237-2007.

Docket No. 299-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 238-2007.

Docket No. 300-2007 – A motion was made by Mr. King, seconded by Mr. Efta and unanimously passed, to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 239-2007.

Docket No. 301-2007 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Noble Energy, Inc. as set forth in Board Order 240-2007.

Docket No. 302-2007 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Noble Energy, Inc. as set forth in Board Order 241-2007.

Docket No. 303-2007 – The application of Targe Energy Exploration and Production, LLC was withdrawn.

Docket No. 304-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Americana Exploration LLC was approved as set forth in Board Order 304-2007.

Docket No. 305-2007 – A motion was made by Mr. Smelser, seconded by Mr. Smith and unanimously passed, to approve the application of Americana Exploration LLC as set forth in Board Order 243-2007.

Docket No. 306-2007 – The application of Americana Exploration LLC was continued to the October 2007 hearing.

Docket No. 307-2007 – The application of Americana Exploration LLC was continued to the October 2007 hearing.

Docket No. 308-2007 – The application of Americana Exploration LLC was continued to the October 2007 hearing.

Docket No. 309-2007 – A motion was made by Mr. Smelser, seconded by Mr. King and unanimously passed, to approve the application of Wyoming Resources Corporation as set forth in Board Order 244-2007.

Docket No. 310-2007 – A motion was made by Mr. Efta, seconded by Ms. Stahl and unanimously passed, to approve the application of Nance Petroleum Corporation as set forth in Board Order 245-2007.

Docket No. 311-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Smelser and unanimously passed, to approve the application of Nance Petroleum Corporation as set forth in Board Order 246-2007.

Docket No. 312-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Nance Petroleum Corporation as set forth in Board Order 247-2007.

Docket No. 313-2007 – The application of Nance Petroleum Corporation was withdrawn.

Docket No. 314-2007 – A motion was made by Mr. King, seconded by Ms. Stahl and passed, to approve the application of Nance Petroleum Corporation as set forth in Board Order 248-2007.

Docket No. 315-2007 – The application of Nance Petroleum Corporation was continued to the October 2007 hearing.

Docket No. 316-2007 – A motion was made by Mr. Smelser, seconded by Mr. Efta and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 249-2007.

Docket No. 317-2007 – The application of Continental Resources, Inc was continued to the October 2007 hearing.

Docket No. 318-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Efta and unanimously passed, to approve the application of Flying J Oil & Gas, Inc. as set forth in Board Order 250-2007.

Docket No. 319-2007 – A motion was made by Mr. King, seconded by Mr. Smith and unanimously passed, to approve the application of Flying J Oil & Gas, Inc. as set forth in Board Order 251-2007.

Docket No. 320-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of MCR, LLC was approved as set forth in Board Order 252-2007.

Docket No. 321-2007 – A motion was made by Mr. Smith, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 253-2007.

Docket No. 322-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 254-2007.

Docket No. 323-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 255-2007.

Docket No. 324-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 256-2007.

Docket No. 325-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 257-2007.

Docket No. 326-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 258-2007.

Docket No. 327-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 259-2007.

Docket No. 328-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 260-2007.

Docket No. 329-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources (USA) Corporation was approved as set forth in Board Order 261-2007.

Docket No. 330-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Klabzuba Oil & Gas, Inc. as set forth in Board Order 262-2007.

Docket No. 331-2007 – The application of Samson Resources Company was continued to the October 2007 hearing.

Docket No. 332-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta and passed, to approve the application of Forest Oil Corporation as set forth in Board Order 263-2007.

Docket No. 333-2007 & 8-2007 FED – A motion was made by Mr. Smith, seconded by Mr. Efta and passed, to approve the application of Forest Oil Corporation as set forth in Board Order 264-2007.

Docket No. 334-2007 – The application of Petro-Hunt, LLC was continued to the October 2007 hearing.

Docket No. 335-2007 – The application of Enclave Operating LLC was withdrawn.

Docket No. 336-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 265-2007.

Docket No. 337-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 266-2007.

Docket No. 338-2007 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 267-2007.

Docket No. 339-2007 – A motion was made by Mr. Efta, seconded by Ms. Stahl and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 268-2007.

Docket No. 340-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 269-2007.

Docket No. 341-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Efta and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 270-2007.

Docket No. 342-2007 – A motion was made by Mr. Efta, seconded by Mr. Smelser and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 271-2007.

Docket No. 343-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Efta and unanimously passed, to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 272-2007.

Docket No. 344-2007 – The application of Devon Energy Production Company, L.P. was continued to the October 2007 hearing.

Docket No. 345-2007 – The application of Devon Energy Production Company, L.P. was continued to the October 2007 hearing.

Docket No. 346-2007 – The application of Presco, Inc. was continued to the October 2007 hearing.

Docket No. 347-2007 & 9-2007 FED – The application of URSA Major (Crow OG) LLC, dba Great Bear Consulting was withdrawn.

Docket No. 41-2007 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 273-2007.

Docket No. 42-2007 – The application of Burlington Resources Oil & Gas Company, L.P. was withdrawn.

Docket No. 48-2007 – The application of PT Energy, LLC was continued to the December 2007 hearing.

Docket No. 132-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 274-2007.

Docket No. 133-2007 – A motion was made by Mr. Smelser, seconded by Ms. Stahl and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 275-2007.

Docket No. 134-2007 – A motion was made by Mr. Smelser, seconded by Mr. Efta and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 276-2007.

Docket No. 135-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 277-2007.

Docket No. 136-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 278-2007.

Docket No. 137-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 279-2007.

Docket No. 138-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 280-2007.

Docket No. 139-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 281-2007.

Docket No. 140-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 282-2007.

Docket No. 141-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 283-2007.

Docket No. 142-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 284-2007.

Docket No. 143-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 285-2007.

Docket No. 144-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 286-2007.

Docket No. 145-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 287-2007.

Docket No. 146-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smelser and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 288-2007.

Docket No. 147-2007 – The application of Burlington Resources Oil & Gas Company, L.P. was withdrawn.

Docket No. 148-2007 – A motion was made by Mr. Smith, seconded by Mr. Bradshaw and passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 289-2007.

Docket No. 171-2007 – The application of Stone Energy Corporation was withdrawn.

Docket No. 192-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Burlington Resources Oil & Gas Company, L.P. as set forth in Board Order 289-2007.

Docket No. 248-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Stone Energy Corporation was approved as set forth in Board Order 291-2007.

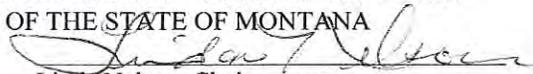
Docket No. 261-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 292-2007

Docket No. 284-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Smelser and unanimously passed, to approve the application of North American Technical Trading Company, Inc. as set forth in Board Order 293-2007.

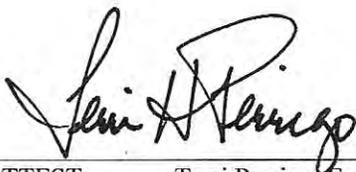
NEXT MEETING

The next business meeting of the Board will be Wednesday, October 24, 2007 at 2:00 p.m. in the Billings Petroleum Club in the Crowne Plaza Billings in Billings, Montana. The next regular public hearing will be Thursday, October 25, 2007, beginning at 8:00 a.m. in the conference room of the Billings Petroleum Club in the Crowne Plaza Billings, in Billings, Montana. The filing deadline for the October 25, 2007 public hearing is September 27, 2007.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA



Linda Nelson, Chairwoman
Wayne Smith, Vice-Chairman
Don Bradshaw
Ronald S. Efta
Jack King
Bret Smelser
Joan Stahl



ATTEST: Terri Perrigo, Executive Secretary