

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, October 24, 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

MOTION: Mr. Smelser made a motion to approve the minutes of the September 5, 2007 business meeting. The motion was seconded by Mr. Bradshaw and unanimously passed.

OPPORTUNITY FOR PUBLIC COMMENT

Dave Galt, Executive Director of the Montana Petroleum Association (MPA) talked about the essay contest. The topic this year has to do with the price of gas, influences and economic drivers on the price of gas and how alternative fuels affect the price of gas. The deadline for essay submission is January 18, 2008. More information about the essay contest is available on the MPA website.

BOND REPORT

Mr. Halvorson presented the Bond Report attached as Exhibit 1.

FINANCIAL REPORT

Ms. Perrigo handed out the financial report attached as Exhibit 2. She also distributed the proposed schedule for 2008. There were some suggested changes to accommodate attendance at NAPE in February and for other scheduling conflicts. Ms. Perrigo will incorporate the changes into the final schedule and post it on the website.

DEFAULT DOCKET

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

STAFF REPORTS

Mr. Sasaki reported the cleanup of the Peterson 28-1 well site by TOI/Par Investments is almost complete. He distributed before and after pictures of the location. Mr. Mike Gleason of Par Investments said they re-entered the wellbore, will produce the well, and anticipate getting 15-20 barrels of oil per day. They are having trouble selling oil though because of pipeline issues.

Mr. Robert Zimmerman of Zimco was present to give a report regarding the Heringer 11-21 well as required by Board Order 226-2007. Everything is in compliance and he has all the delinquent production reports with him. He is also having difficulty finding a buyer for his oil. He produced the well for about 30 days and it made 12 bbls a day. He thanked the Board for the opportunity to fix the problem and said field staff has been very helpful.

Mr. Hudak said, in response to a question raised at a previous meeting, that Wyoming uses the same injection pressure calculations as Montana.

Mr. Hudak brought up an issue regarding Hawley Oil Company (Hawley). They were delinquent on reporting for three Madison Formation injection wells. When they finally sent in the reports they were filled out incorrectly. Billings office staff correctly filled out replacement reports and sent them to Hawley for signature. Nothing has been returned. Mr. Hudak sent Hawley a letter regarding the matter, which is attached as Exhibit 4. He recommends the Board fine Hawley \$100 and order them to submit the reports by the next hearing and keep future reports current.

MOTION. Mr. King made a motion, seconded by Ms. Stahl and unanimously passed, to fine Hawley Oil Company \$100 for failure to submit required reports, to give them until the Board's December hearing to submit them or a show-cause hearing will be scheduled for January 2008, and that Hawley be put on notice that all future reports must be filed timely.

Mr. Hudak reported on an enforcement issue with Carrell Oil Co. (Carrell) The Government #4 well failed its MIT last September. Carrell continued to inject and also exceeded authorized injection pressure. Mr. Hudak sent Carrell a letter about this matter which is attached as Exhibit 5. Unauthorized injection is categorized as a high level violation of Board rules and constitutes a significant non-compliance under the UIC program's Civil Penalty Policy. Although the well is now back in compliance, Mr. Hudak recommends a \$2,500 minimum fine be assessed for the significant non-compliance and that Carrell be directed to submit corrected monthly reports and a workover report for this well..

MOTION: Mr. Smith made a motion to fine Carrell Oil Co. \$3,000 instead of the recommended amount for the significant non-compliance and for incorrect reporting. Mr. Smelser seconded the motion and it passed unanimously.

Mr. Halvorson brought up another issue with Carrell. They have not turned in any reports since the last time they were on the delinquent reporters list, were fined, and were threatened with further Board action. He sent Carrell a letter on June 18 saying receipt of their reports would be closely monitored because of their history of continued failure to file them (both production and injection). Mr. Halvorson recommends Carrell be fined \$100 for failure to file timely reports and that that correct and current reports be filed by the Board's December 5th business meeting or schedule a show cause hearing for January 2008.

MOTION: Mr. Efta made a motion to double the recommended fine amount to \$200, to require that current and correct reports be filed by Dec 5th or a show cause hearing will be scheduled for the first hearing in 2008, and to notify Carrell that their fine amount will be doubled again if their reports are more than 30 days delinquent in the future. Mr. Smith seconded the motion and it passed unanimously.

Mr. Richmond said Spectrum Group Architects (Spectrum) of Billings was selected for the building remodel and Kathleen Armstrong of Spectrum will be the project architect.

Mr. Richmond said the Board will probably get a request from DNRC's Technical Advisory Committee (TAC) to modify Board Order 99-99. The Board issued order 99-99 when the Department of Natural Resources and Conservation (DNRC) adopted the Controlled Groundwater Area and the Technical Advisory Committee (TAC) regarding coal bed methane development in southeastern Montana. Board Order 99-99 requires that TAC be provided monitoring plans. Now they've got a lot of data and want to make recommendations to the Board about how to modify the requirements.

The summer teacher workshop will be June 23-27, 2008.

Mr. Richmond sent a letter to contractors to stop working on the Exchange Network Node project until a signed grant extension is received from EPA.

The North American Prospect Expo (NAPE) will be held in Houston February 7 & 8, 2008. Mr. Richmond will make arrangements to attend. Mr. King wants to go also, and if anyone else is interested in attending please let Mr. Richmond know.

Mr. Bradshaw said the next IOGCC meeting is May 3-5, 2008 in Calgary Alberta Canada. He also read the following statement for the record regarding the death of John O. Brown. "Eight days after our last Board meeting in September of 2007, the State of Montana learned John O. Brown Sr. perished in a plane accident in Washington. I think it proper to recognize his passing by incorporating in our minutes our regrets to his family, friends and business associates. John and his company have been an important part of the oil and gas industry in the State of Montana for many years."

EXEMPT STAFF PERFORMANCE EVALUATIONS

Ms Perrigo distributed a historical report on exempt staff salaries which is attached as Exhibit 6. MOTION: Mr. Smelser made a motion, seconded by Mr. Smith and unanimously passed, to increase all exempt staff salaries by 5 percent effective October 1, 2007.

With no further business, the business meeting adjourned at 4:00 pm

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday October 25, 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. 348-2007 – The application of Pinnacle Gas Resources, Inc. was continued to the December 2007 hearing.

Docket No. 349-2007 – 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 Great Plains Operating, L.L.C. was approved as set forth in Board Order 294-2007.

Docket No. 350-2007 – The application of Western Natural Gas Co. was continued to the December 2007 hearing.

Docket No. 351-2007 – The application of Western Natural Gas Co. was continued to the December 2007 hearing.

Docket No. 352-2007 – The application of Targe Energy Exploration and Production, LLC was continued to the December 2007 hearing.

Docket No. 353-2007 – 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 Cline Production Company was approved as set forth in Board Order 295-2007.

Docket No. 354-2007 – 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 Cline Production Company was approved as set forth in Board Order 296-2007.

Docket No. 355-2007 – 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 Devon Energy Production Company, L.P. was approved as set forth in Board Order 297-2007.

Docket No. 356-2007 – The application of Klazuba Oil & Gas, Inc. was withdrawn.

Docket No. 357-2007 – 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 Klabzuba Oil & Gas, Inc. was approved as set forth in Board Order 298-2007.

Docket No. 358-2007 – 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 Klabzuba Oil & Gas, Inc. was approved as set forth in Board Order 299-2007.

Docket No. 359-2007 – 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 300-2007.

Docket No. 360-2007 – 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 Fidelity Exploration & Production Company was approved as set forth in Board Order 301-2007.

Docket No. 361-2007 – 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 Nadel & Gussman Rockies, L.L.C. was approved as set forth in Board Order 302-2007.

Docket No. 362-2007 – The application of Nadel & Gussman Rockies, L.L.C. was continued to the December 2007 hearing.

Docket No. 363-2007 – The application of Nadel & Gussman Rockies, L.L.C. was continued to the December 2007 hearing.

Docket No. 364-2007 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Bill Barrett Corporation as set forth in Board Order 303-2007.

Docket No. 365-2007 – A motion was made by Mr. Smith, seconded by Mr. Smelser and unanimously passed, to approve the application of Bill Barrett Corporation as set forth in Board Order 304-2007.

Docket No. 366-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 305-2007.

Docket No. 367-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 306-2007.

Docket No. 368-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 307-2007.

Docket No. 369-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 308-2007.

Docket No. 370-2007 – A motion was made by Ms. Stahl, seconded by Mr. Efta and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 309-2007.

Docket No. 371-2007 – A motion was made by Mr. Efta, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Enerplus Resources (USA) Corporation as set forth in Board Order 310-2007.

Docket No. 372-2007 & 1-2008 FED – 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 Nance Petroleum Corporation was approved as set forth in Board Order 311-2007. The Bureau of Land Management of the United States Department of Interior will issue the order pertaining to federal and/or Indian lands contained in the application.

Docket No. 373-2007 – The application of Nance Petroleum Corporation was continued to the December 2007 hearing.

Docket No. 374-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Smith and passed, to approve the application of Nance Petroleum Corporation as set forth in Board Order 312-2007.

Docket No. 375-2007 – 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 Nance Petroleum Corporation was approved as set forth in Board Order 313-2007.

Docket No. 376-2007 – 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 314-2007.

Docket No. 377-2007 – 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 315-2007.

Docket No. 378-2007 – 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 316-2007.

Docket No. 379-2007 – 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 317-2007.

Docket No. 380-2007 – 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 318-2007.

Docket No. 381-2007 – 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 319-2007.

Docket No. 382-2007 – 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 320-2007.

Docket No. 383-2007 – 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 321-2007.

Docket No. 384-2007 – 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 322-2007.

Docket No. 385-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Smelser and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 323-2007.

Docket No. 386-2007 – A motion was made by Mr. Efta, seconded by Mr. Smelser to approve the application of Continental Resources, Inc. as set forth in Board Order 324-2007.

Docket No. 387-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 325-2007.

Docket No. 388-2007 – A motion was made by Mr. Bradshaw, seconded by Ms. Stahl and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 326-2007.

Docket No. 389-2007 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 327-2007.

Docket No. 390-2007 – 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 328-2007.

Docket No. 391-2007 – The application of Continental Resources, Inc was withdrawn.

Docket No. 392-2007 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, to approve the application of MCR, L.L.C. as set forth in Board Order 329-2007.

Docket No. 393-2007 & 2-2008 FED – The application of URSA Major (Crow OG), LLC involves land under the jurisdiction of the BLM so the order will be issued by the BLM.

Docket No. 394-2007 & 3-2008 FED – A motion was made by Mr. Smith, seconded by Mr. Smelser to approve the application of Montana Land & Exploration, Inc. as set forth in Board Order 330-2007. The BLM will issue the order pertaining to federal and/or Indian lands contained in this application.

Docket No. 395-2007 & 4-2008 FED – The application of Montana Land & Exploration, Inc. involves land under the jurisdiction of the BLM so the order will be issued by the BLM.

Docket No. 396-2007 & 5-2008 FED – The application of Montana Land & Exploration, Inc. involves land under the jurisdiction of the BLM so the order will be issued by the BLM.

Docket No. 397-2007 & 6-2008 FED – The application of Montana Land & Exploration, Inc. involves land under the jurisdiction of the BLM so the order will be issued by the BLM.

Docket No. 250-2007 – The application of Stone Energy Corporation was withdrawn.

Docket No. 269-2007 – The application of Chesapeake Operating, Inc. was continued to the December 2007 hearing.

Docket No. 270-2007 – The application of Chesapeake Operating, Inc. was continued to the December 2007 hearing.

Docket No. 317-2007 – A motion was made by Mr. Bradshaw, seconded by Mr. Efta and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 331-2007.

Docket No. 331-2007 – 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 Samson Resources Company was approved as set forth in Board Order 332-2007.

Docket No. 334-2007 – A motion was made by Mr. Efta, seconded by Mr. Bradshaw and unanimously passed, to approve the application of Petro-Hunt, L.L.C. as set forth in Board Order 333-2007.

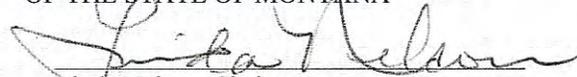
Docket No. 346-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Presco, Inc. was approved as set forth in Board Order 334-2007.

Docket No. 398-2007 – A motion was made by Mr. Smelser, seconded by Mr. Bradshaw and unanimously passed, that Rocky Mountain Gas, Inc. must have a plugging plan for its six coal bed natural gas wells on file with the Board by its December 5, 2007 business meeting or a bond forfeiture hearing will be scheduled, as set forth in Board Order 335-2007.

NEXT MEETING

The next business meeting of the Board will be Wednesday, December 5, 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, December 6, 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 December 6, 2007 public hearing is November 8, 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 H. Perrigo, Executive Secretary