

1 THOMAS E. TOWE, ESQ.  
2 TOWE, BALL, MACKEY, SOMMERFELD  
& TURNER, PLLP  
3 2525 6<sup>th</sup> Avenue North  
4 P.O. Box 30457  
5 Billings, MT 59107-0457  
6 Telephone: (406) 248-7337  
7 Attorneys for Plaintiff

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

10 MALSAM FAMILY, LLC and TODD ) Docket No. 114-2015  
11 MALSAM, )  
12 Plaintiffs, )  
13 v. )  
14 J. BURNS BROWN OPERATING CO., )  
JOHN BROWN, JR. and TRAVIS BROWN, )  
15 Defendants. )

**OBJECTION TO PROPOSED  
ORDER AND MOTION  
TO RECONSIDER**

16  
17  
18 COME NOW the Plaintiffs, Malsam Family, LLC, and Todd Malsam (hereinafter "Malsam") and  
19 object to the draft of the Order proposed for signature by the Board of Oil and Gas Conservation in this  
20 case, upon the grounds and for the reason that the proposed Order is inconsistent with the action taken at  
21 the hearing.

22 Further, Malsam moves to reconsider the Board's action or for a Rehearing upon the grounds and  
23 for the reason that the Board is in error in limiting the jurisdiction of the Board to only the notice  
24 requirements as set forth in Count I and Count II of the Complaint, and further upon the grounds and for  
25 the reason that the Board failed to address Count II of the Complaint. Finally, Malsam moves to  
26 reconsider the action taken on Count I of the Complaint upon the grounds and for the reason that the  
27

28 CLIENT COPIED:

Malsam 8/4/15

1 remedy imposed by the Board is legally and factually insufficient to address the problem and will set a  
2 precedent allowing operators generally to simply figure in the failure to comply with the statute as a cost  
3 of doing business since the fine to be expected is so minimal.

4 While the Board indicated at its meeting its decision was effective as of June 25, 2015, at the time  
5 it was announced as a part of the hearing, the actual Order articulating that decision was not presented to  
6 Malsam's attorney until Monday, July 20, 2015. Consequently, it is not clear whether the 20 days for  
7 applying for a rehearing starts running at the time the decision was made on June 25, 2015, or at the time  
8 the proposed Order was submitted on July 20, 2015, or when the final Order is actually signed and  
9 delivered, presumably, August 12, 2015, when all the Board members will be available to sign. Certainly  
10 since there were changes made after the hearing itself, one would have to assume that the correct timing is  
11 certainly no sooner than when language of the final Order is actually served on the parties, namely, July  
12 20, 2015, or, if it is further changed, August 12, 2015. Section 82-11-143, MCA, says the 20 days runs  
13 from the effective date of the Order. It is hard to believe the Order could be effective before it is reduced  
14 to writing.

15  
16 Malsam takes the position that a motion for rehearing is not required to exhaust administrative  
17 remedies since the Oil and Gas Commission and the District Court are given concurrent jurisdiction on  
18 these matters. Further, the Montana Supreme Court does not look with great favor on motions for  
19 reconsideration, and generally they are not a critical part of the procedure that must be complied with to  
20 exhaust administrative remedies. Section 82-11-143, MCA, the statute that authorizes a Motion for  
21 Reconsideration, actually calls it a request for a "rehearing." If there is nothing for which a rehearing  
22 would be beneficial, i.e., no newly discovered evidence, certainly it is not necessary to file a motion for  
23 rehearing in order to exhaust administrative remedies. In this case, the issue itself is not an issue that is  
24 fully within the discretion of the Board, such as details of a unitization Order or the pooling arrangement  
25 covered by Part 2 of Chapter 11 of Title 82 of the Montana Code.



1 subject that Malsams were prevented from introducing any evidence, a conclusion that was made without  
2 listening to Malsam's evidence. Had Malsam been able to call Gary Klotz as a witness, Malsam's could  
3 have established that the paper work for the reclamation was not completed and that there may be an issue  
4 of the adequacy of the reclamation that was done because the solid wastes from the well drilling were  
5 covered up before they were allowed to dry adequately. This is the expected testimony of Gary Klotz  
6 who was available to testify. Further, the reclamation portion of Count IV is completely ignored in the  
7 proposed Order, except for the reference to damages.

8  
9 Count IV of the Complaint filed before the Board specifically states that the brief reference to  
10 reclamation in the application is "wholly inadequate to properly reclaim the land." It also allows pit  
11 solids to be buried on the land. It further contends that Defendants have attempted to reclaim the land  
12 following the drilling and such reclamation is inadequate. It further contends that after the drilling was  
13 completed and the drilling machinery moved off the land, the well "was an absolute mess with oil and  
14 wastewater all over the site standing in open puddles." A photograph was attached to the Complaint  
15 showing exactly this. See Exhibit 31. In the prayer for relief, the Plaintiffs requested that the Board make  
16 findings that the Defendants failed to perform adequate reclamation as required by the permit and as  
17 required by law, and that the Defendants failed to inform Plaintiffs of the progress of the reclamation  
18 actually performed and future reclamation planned for the site. This was not a request for damages but a  
19 request that the Board do its duty and do the job assigned to it by the legislature, namely, review the  
20 reclamation of the well site to determine its adequacy. In addition to not letting Malsam introduce  
21 evidence regarding this issue, they failed to address the principle allegations in Count IV of the complaint.

22 The proposed Order probably sidestepped this issue because it is clear that any ruling regarding the  
23 lack of jurisdiction regarding reclamation, as the resolution adopted on June 25, 2015, states, is erroneous.  
24 The Board does have jurisdiction over reclamation of a well drilling site. Otherwise, there would be no  
25 right to inspect and no need to send an inspector to review the reclamation that has taken place. At this  
26 point, however, the Board cannot change the decision it made on June 25, 2015, and the Order resulting  
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1 from that hearing should be consistent with the action taken by the Board in open session. If it wishes to  
2 reconsider, which Malsam urges should be done, the Order on reconsideration should reflect that the  
3 Board does have jurisdiction over reclamation of an oil well site, and should enter a finding and  
4 conclusion accordingly.

5 At this point, however, the proposed Order should be amended to reflect the action actually taken  
6 on June 25, 2015. Finding No. 8 should be deleted as inconsistent with the Board's actions. Further,  
7 conclusion No. 2 should be amended to state, as the Board found by resolution, that "disputes related to  
8 negotiation for surface damage and reclamation must be addressed by a district court under s 82-10-508,  
9 MCA."

10 WHEREFORE, it is respectfully requested that Malsams' Objection be recognized and that the  
11 Order be amended or redrafted to comport with the action taken by the Board at the June 25, 2015,  
12 hearing.

## 14 II

### 15 **The Motion for a Rehearing or Reconsideration should be granted** 16 **because the Board failed to address Count II of the Malsam** 17 **Complaint.**

18 In Count II of their Complaint, Malsam specifically cited § 82-10-503(1), MCA, which requires a  
19 notice that "sufficiently disclose[s] the plan of work and operation to enable the surface owner to evaluate  
20 the effect of drilling operations on surface owner's use of the property." Count II of the Complaint then  
21 alleges that this was not done. In fact, the notice (Exhibit 3) says **absolutely nothing** regarding these  
22 matters. It is devoid of any such information. If, as the Board found, the Board has jurisdiction over the  
23 notice, it should have decided that question. The complaint alleges a defective Notice. There is no  
24 finding regarding this issue and there is no conclusion regarding this issue in the proposed Order (Exhibit  
25 A). There is not even a reference to the very, very minimal reference to these matters in the application.

26 It is Malsam's contention that reference in the application is incomplete and consequently, this  
27 matter cannot be remedied by publication, even assuming the publication was effective as a notice. See in  
28

1 particular the items that were not included set forth in Paragraph 11 of the Complaint.

2 WHEREFORE, it is respectfully submitted that the Motion to Reconsider or for a Rehearing  
3 should be granted and, at the very least, the Board should enter a finding and conclusion regarding Count  
4 II of the Complaint. Again, totally ignoring Count II would be tantamount to admitting that the Montana  
5 statute is unenforceable, meaningless, or has no effect on this situation. Such a finding would be  
6 inconsistent with the facts and the law, and a clear abuse of whatever discretion is given to this Board.  
7 For this reason, it is respectfully submitted that the reconsideration should be granted and that a finding be  
8 entered that the notice (Exhibit 3) failed to comply with § 82-10-503(1), MCA, and a conclusion entered  
9 that the Defendants have violated the law accordingly. In the alternative, a Rehearing should be granted.  
10 An appropriate remedy would clearly be to require the Defendants to pay for the expensive of analysis to  
11 determine whether the reclamation is adequate as requested in the complaint.  
12

### 13 III

14 **This Board clearly has jurisdiction over reclamation of a well site**  
15 **and authority to enforce § 82-10-504(1)(a), MCA, regarding good**  
16 **faith negotiations with the surface owner. The action of the Board,**  
**therefore, should be Reconsidered or, in the alternative, a Rehearing**  
**should be granted to correct this error.**

17 This Board has determined that it does not have jurisdiction over Counts III and IV of Malsam's  
18 Complaint. As to Count IV, the Board is clearly in error, it does have jurisdiction over reclamation of a  
19 well site. Under § 82-11-111(2), MCA, the Board, subject to the administrative control of the  
20 Department, shall:

21 “(a) require measures to be taken to prevent contamination of or damage to surrounding  
22 land or underground strata caused by drilling operations and production, including but  
23 not limited to regulating the disposal or injection of water or carbon dioxide and disposal  
of oil field wastes;”

24 See also the duties of the Board with regard to abandoned oil and gas wells at Title 82, Chapter 10, Part 4  
25 of the Montana Code Annotated. It would be hard to imagine any clearer language granting authority to  
26 this Board to act on reclamation of a well site. Furthermore, this Board obviously acknowledges that  
27  
28

1 authority by hiring staff to make a well site inspection upon completion or partial completion of the  
2 reclamation performed on a well site. See Exhibit 39 in which Gary Klotz performed an inspection on  
3 April 20, 2015.

4 But for this error, Malsam would have been able to introduce evidence that the paper work for the  
5 reclamation was not completed and that there may be an issue of the adequacy of the reclamation that was  
6 done because the solid wastes from the well drilling were covered up before they were allowed to dry  
7 adequately. This is the expected testimony of Gary Klotz who was available to testify.

8 As to Count III, failure to negotiate a surface damage agreement in good faith as required by §  
9 82-10-504(1)(a), MCA, the authority of this Board is not as obvious. Nevertheless, once this Board is  
10 given the authority to take measures to prevent contamination of or damage to the surrounding land and  
11 underground strata caused by drilling operations and production, including disposal of injection of water  
12 and disposal of oil field waste, it is hard to imagine that such authority would not extend to the Surface  
13 Owner's Protection Act which deals in virtually the same thing. Clearly the reason for reclamation is to  
14 protect, among other persons, the surface owner and the person who owns and operates the adjoining  
15 property. Clearly this Board should have the authority to implement and enforce § 82-10-504, MCA,  
16 dealing with conflicts between the surface owner and the oil and gas operator. It makes no sense to give  
17 this Board the authority to deal with damage to surrounding land or underground strata caused by drilling  
18 operations and productions, including disposal of water and oil field waste, and not give the Board any  
19 authority to deal with that section of the Code that addresses conflicts between the surface owner and the  
20 oil and gas operator on the very same issues.

21  
22 WHEREFORE, it is respectfully submitted that this Board should reconsider its actions of June  
23 25, 2015, as set forth in its proposed Order, and acknowledge it has jurisdiction over Count III of the  
24 Malsam Complaint. In the alternative, the Board should grant Malsams' Motion for a Rehearing on this  
25 issue. The violation of the good faith requirement in § 82-10-504(1)(a), MCA, is clear and apparent from  
26 the evidence. An invitation to negotiate and bargain on all these issues was extended on May 5, 2014.  
27  
28

1 (See Exhibit 19.) That invitation was totally ignored. Malsam suggests the decision of this Board should  
2 reflect a finding that Defendants failed to negotiate a surface owner's agreement dealing with the  
3 reclamation issues and other issues in good faith, that they violated § 82-10-504, MCA, and an  
4 appropriate remedy should be imposed. Malsam suggests the only obvious and proper remedy would be  
5 to require Defendants to pay the costs of determining whether the reclamation was, in fact, adequate.

#### 6 IV

7 **This Board should grant Malsams' Motion to Reconsider or for a**  
8 **Rehearing because the remedy for violating the notice requirement**  
9 **is totally ineffective and inconsistent with the duties and authorities**  
10 **of this Board to ensure compliance by all oil and gas operators with**  
11 **the law.**

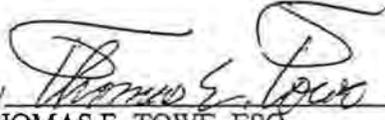
12 Malsam does agree with the findings of the Board that Defendants violated § 82-10-503, MCA, in  
13 that the 180 day time period was exceeded by 4 days. Malsam insists that this needs to be considered in  
14 connection with the other violations claimed by Malsam in determining an appropriate remedy.  
15 Obviously, the notice requirements of § 82-10-503, MCA, that requires a sufficient disclosure of the plan  
16 of work and operations to enable the surface owner to evaluate the effect of drilling operations on his  
17 land. That did not happen. Furthermore, Malsam is entitled under § 82-10-504, MCA, to a good faith  
18 negotiation of an agreement regarding a minimizing of any damages to his land. That did not happen.  
19 Further, Malsam is entitled to measures taken to prevent contamination of damage to surrounding lands or  
20 underground strata caused by the drilling operation and production. We don't know the full effect of  
21 these damages at the present time. The appropriate remedy would be to require the operator to pay for  
22 any necessary efforts to find out. It only makes sense to require the operator to pay for any exploration  
23 and drilling costs and consultant fees necessary to determine whether failure to clean up the oil spill as  
24 shown in Exhibit 31 for over 45 days, or the cover up of oil waste before it was allowed to dry, or any  
25 other activities in the drilling and production of oil on the Malsam property has caused damage to  
26 surrounding land or underground strata, or will cause such damage in the future. That should not be  
27 imposed on Malsam; Malsam did not violate the law. Then if the inquiry shows there was some damage  
28

1 to the surface that has not been reclaimed adequately, the Defendants as the operator should be required to  
2 pay any expenses necessary for adequate reclamation. As the evidence shows, it will cost \$33,210.00 for  
3 a comprehensive analysis of the entire situation (see Exhibit 37), or a preliminary determination of  
4 whether a problem genuinely exists could be obtained for \$6,285.00 (see Exhibit 38). That is the only  
5 effective remedy for these violations and is something this Board has authority to impose on Defendants  
6 and it should do so accordingly.

7 WHEREFORE, it is respectfully submitted that the Malsams' Motion to Reconsider or for a  
8 Rehearing should be granted and the Defendants should be ordered to pay for any costs reasonably  
9 incurred in determining whether the reclamation is adequate and to pay for any expenses incurred in  
10 performing adequate reclamation if it is not.

11 DATED this 4<sup>th</sup> day of August, 2015.

13 TOWE, BALL, MACKEY, SOMMERFELD  
14 & TURNER, PLLP  
Attorneys for Plaintiff

15  
16 By:   
17 THOMAS E. TOWE, ESQ.

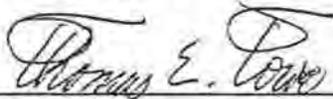
18 **CERTIFICATE OF SERVICE**

19 This is to certify that the foregoing was duly served by mail upon:

20 Loren J. O'Toole, II  
21 O'Toole Law Firm  
22 P.O. Box 529  
Plentywood, MT 59254-0529

23 on this 4<sup>th</sup> day of August, 2015.

24 TOWE, BALL, MACKEY, SOMMERFELD  
25 & TURNER, PLLP

26 By:   
27  
28

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

UPON THE APPLICATION OF MALSAM FAMILY, LLC AND TODD MALSAM, FOR A COMPLAINT AGAINST J. BURNS BROWN OPERATING CO., JOHN BROWN, JR., AND TRAVIS BROWN FOR FAILURE TO PROVIDE NOTICE WITHIN 180 DAYS OF ACTIVITY THAT DISTURBS THE LAND SURFACE AND INADEQUACY OF THE REQUIRED NOTICE THAT IS IN VIOLATION OF SECTION §2-10-503(1), M.C.A., FAILURE TO NEGOTIATE A SURFACE USE DAMAGE AGREEMENT IN GOOD FAITH THAT IS IN VIOLATION OF SECTION §2-10-504(1)(A), M.C.A., AND FAILURE TO ADEQUATELY RECLAIM THE WELL SITE AS REQUIRED BY THE PERMIT TO DRILL.

ORDER 111-2015

Docket No. 114-2015

Report of the Board

The above entitled cause came on regularly for hearing on June 25, 2015 at the Board's hearing room at 2535 St. Johns Avenue in Billings, Montana, pursuant to the order of the Board of Oil and Gas Conservation of the State of Montana, hereinafter referred to as the Board. Vice-Chair Wayne Smith was absent. At this time and place testimony was presented, statements and exhibits were received, and the Board then took the cause under advisement; and, the Board having fully considered the testimony, statements and exhibits and all things and matters presented to it for its consideration by all parties in the Docket, and being well and fully advised in the premises, finds and concludes as follows:

Findings of Fact

1. Due, proper, and sufficient notice was published and given of this matter, the hearing hereon, and of the time and place of said hearing, as well as the purpose of said hearing; all parties were afforded opportunity to present evidence, oral and documentary.
2. Malsam Family, LLC and Todd Malsam (collectively Malsam) filed an application against J. Burns Brown Operating Co., John Brown, Jr., and Travis Brown (collectively Brown) alleging violation of the 180-day notice period in §82-10-503(1), MCA, alleging violation of the adequacy of the notice under §82-10-503(1), MCA, and alleging other violations related to negotiation and compensation for surface damage.
3. At the hearing, Malsam was represented by attorney Tom Towe and Brown was represented by attorney Loren J. O'Toole III. Malsam testified that it filed a parallel lawsuit regarding the same subject matter on October 27, 2014, in the Montana 17<sup>th</sup> Judicial District Court, cause number DV 2014-43. No documentation from that lawsuit was offered into evidence.
4. Malsam is the surface owner where the Malsam 21-34-20B well is located in the NW¼SW¼ of Section 21, T34N-R20E in Blaine County, Montana. The well is operated by Brown.
5. On April 2, 2014, Malsam received written notification of the Brown's intent to drill a well. The notice included a copy of §82-10-503 and a copy of "A Guide to Split Estates in Oil and Gas Development".
6. The 180-day notice period to commence activity that disturbs the land surface expired on September 29, 2014. The first disturbance to the land surface occurred on October 3, 2014, 184 days after written notice was received by Malsam.



BOARD ORDER NO. 111-2015

7. Malsam argued that the 184 day delay between receipt of written notification and disturbance of the land surface violated the 180-day notice period. Brown argued that the 180-day notice period should be extended 9 days, the period of time that Malsam denied Brown's surveyor access to the drilling location.

8. Board staff testified that an inspection performed on April 20, 2015, found the surface location of the well to be in compliance with the approved permit conditions and Board rules.

9. The evidence indicates that taking the following action will serve to protect correlative rights and be in the interest of conservation of oil and gas in the State of Montana.

Conclusions of Law

1. Section 82-10-510, MCA, establishes the Board's jurisdiction to address violations of the notice requirement of §82-10-503, MCA.

2. Disputes related to negotiation and compensation for surface damage must be addressed by a district court under §82-10-508, MCA.

3. The 184 day delay between Malsam's receipt of adequate written notification and Brown's disturbance of the land surface violated the 180-day notice period §82-10-503 MCA.

4. Section 82-11-147(1)(b), MCA, authorizes the Board to assess a civil penalty for violation of the notice requirement of §82-10-503, MCA.

5. The Board concludes that Malsam demonstrated the notice requirements of §82-10-503, MCA, were not met and a civil penalty should be assessed against Brown for the notice violation.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that J. Burns Brown Operating Co. will be fined \$100.00 per day for the four days between the expiration of the required 180-day notice period and the commencement of activity that disturbed the land surface.

BOARD ORDER NO. 111-2015

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 25<sup>th</sup> day of June, 2015.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

\_\_\_\_\_  
Linda Nelson, Chairman

Ronald S. Efta, Board Member

\_\_\_\_\_  
John Evans, Board Member

\_\_\_\_\_  
Peggy Ames Nerud, Board Member

I dissent

\_\_\_\_\_  
Steven Durrett, Board Member

\_\_\_\_\_  
Paul Gatzemeier, Board Member

ATTEST:

\_\_\_\_\_  
Jennifer Rath, Program Specialist



EXHIBIT  
31

tabboter

Inspection Report

RECEIVED

API #: 25 - 005 - 23818

Montana Board of Oil and Gas Conservation  
01/2014

APR 27 2015

Date: 4 / 20 / 15

UIC:  Oil / Gas / Other:

Exception / Violation: Yes:

MONTANA BOARD OF OIL & GAS CONSERVATION • BILLINGS

Inspector: Gary Klotz

Date Operator Notified: \_\_\_\_\_

Arrival Time: 7:20 am (pin)

Date Remedy Required: \_\_\_\_\_

Operator Representative(s): \_\_\_\_\_

Others Present: \_\_\_\_\_

Well Name: Malsam 21-34-20<sup>B</sup> Q: NWSW Sec.: 21 Township: 34N Range: 20E

Operator: J. Burus Brown Operating Co. Field: Wildcat - Blaine Co.

Latitude / Longitude, NAD83 decimal degrees (if taken): \_\_\_\_\_

Failed Items or Violation Description:



Inspection Type

- Routine / Periodic
- Change of Operator
- Complaint Response
- Compliance Verification
- Construction
- Drilling / Service Rig
- Emergency Response
- Pit Inspection
- Pre-drill / Well Permitting
- Pre-regulatory / Orphan
- Remediation / Restoration
- Plugging Witnessed
- SRA / Expiration
- Seismic Inspection

Class II UIC Wells

- Injecting: \_\_\_\_\_ PSI
- Not Injecting: \_\_\_\_\_ PSI
- Tubing Pressure: \_\_\_\_\_ PSI
- Annulus Pressure: \_\_\_\_\_ PSI

Non-UIC Wells

- Oil Well:  Producing
- Gas Well:  Shut-In / TA
- Other:  Abandoned

Comments / Description

Picture:

Oil well was spud 10-9-14, now is completed and is a producing oil well. Informed Travis & John Brown to file Completion Report. New skim pit (25'x40'x8') and evap pit (60'x40'x8') built in clay & shale based soils - site, won't require liner. Informed operator to amend or resubmit Pit permit app. based on what was done - plans changed, was OK'd in the field by GK. Not using pit yet, two 400 bbl tanks have capacity until pit permit is approved. A 1600 bbl capacity berm is built around the oil tanks - OK. Lease is clean, fenced off. Reserve pit now fully restored, evap pit built in different location. Operator is ordering well ID sign to be installed. Rough well access crosses 2 miles of prairie ground from NE. Skim pit capacity 1400 bbls and evap pit capacity is 3400 bbls. Completion Report needs filled before

TOWE, BALL, MACKEY, SOMMERFELD & TURNER, P.L.L.P.

ATTORNEYS AT LAW  
P.O.-BOX 30457 -  
BILLINGS, MT 59107-0457

THOMAS E. TOWE  
COURT E. BALL  
STEPHEN C. MACKEY  
DONALD D. SOMMERFELD  
JEFF A. TURNER  
YVETTE K. LAFRENTZ\*  
\*Also licensed to practice in South Dakota

TELEPHONE: (406) 248-7337  
FAX: (406) 248-2647

2525 Sixth Avenue North  
Billings, MT 59101

May 5, 2014

Loren O'Toole, II  
209 N. Main  
P.O. Box 529  
Plentywood, MT 59254-0529

Re: *Malsam/J. Burns Brown Operating Company*

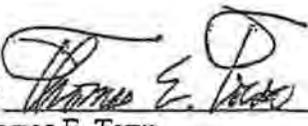
Dear Loren:

I am in possession of your letter of April 14, 2014, addressed to Todd Malsam and Tim Malsam of the Malsam Family, LLC. I believe they have previously submitted to you a copy of a Surface Use Agreement that is patterned after a similar agreement entered into by another oil company that is drilling on their land. We would like for you to respond to that Surface Agreement and indicate whether your clients would be willing to sign a similar agreement. A copy of that proposal as submitted to the Browns previously. It is attached. Please let me know if this is acceptable to your clients. They may be willing to adjust the numbers slightly.

I think I indicated to you that they would agree to let the surveyor go ahead and get started provided you recognize the need to enter into a mutually-satisfactory Surface Use Agreement. Consequently, I hope that this will be something we can work out together.

In the meantime, it is my understanding that Travis Brown wanted to meet with Todd Malsam on Monday, May 5<sup>th</sup>. It occurs to me that until you and I can work over this agreement, it may not be productive for them to be working with each other this matter. Consequently, I ask that you inform your client that Todd will not be able to meet with Travis Brown on Monday 5<sup>th</sup>.

Sincerely,  
TOWE, BALL, MACKEY,  
SOMMERFELD & TURNER, PLLP

By   
Thomas E. Towe

TET/ajb  
Enclosure(s)  
cc: Todd Malsam



MALSAM v. BROWN

Transcription Excerpts – Hearing  
Montana Board of Oil and Gas Conservation  
11:36:27 to 11:37:31 AM

Rob Stutz: We have to continue. The evidence is in and the argument is over.

Tom Towe: I am just asking about the administrative – the exhaustion of the administrative remedies. I would really like something from the Board indicating that you have accepted the Rob Stutz's recommendation with regard to the other issues. That is what I am concerned about.

Chairwoman

Linda Nelson: Tom, I understand, uh, we need a motion to pass. Otherwise, if we don't pass a motion it just goes away. Bob.

Paul

Gatzemeier: I move that the Board acknowledges its jurisdiction is limited to the notice requirements and not to any of the other issues identified in this proceeding.

Chairwoman: All right. All in favor say aye. Opposed? That motion carries. So I guess that's our motion then and the rest goes away. Right?

Rob Stutz: The Board has to reach a decision on ....

Chairwoman: On the fine.

Rob Stutz: On the violation and the fine.

MALSAM v. BROWN

Transcription Excerpts – Hearing  
Montana Board of Oil and Gas Conservation  
10:34:16 to 10:42:00 AM

Chairwoman: Okay, we now have the statutes before us and we are turning this back over to Rob since he knows what he is doing in the legal field.

Rob Stutz: Madam Chairman, Members of the Board, the parties, each of you should have a packet in front of you. It is a copy of Montana Code Annotated, Title 82, Chapter 10, Part 5, which is the - should be the Code referenced in the Complaint. It is a surface and damages disruption competition part of the oil and gas statutes. There has been a fair amount of inquiry from me about - to the parties and the attorneys about - arguments regarding the Board's jurisdiction. I wanted to direct you to a couple of sections in particular. If you could turn first to 82-10-503. This is the section regarding the notice of the drilling operations and this is the section under subsection one, you can see it there, the second to the last sentence that says the notice must begin no later than 180 days and no fewer than 20 days before the activity that disturbs the land surface. The final sentence says the surface owner may waive the notice requirement. And then the type of notice that is required is listed further in that subsection.

Then I will have you turn to 82-10-510. This is the portion of the Code that establishes the Board's jurisdiction regarding this part of the Code. It says the failure to comply with the notice requirements of 82-10-503, that's the statute I previously referenced, subjects the oil and gas developer or operator to the provisions of 82-11-122, 82-11-147 through 81-11-149. Those are the portions of the oil well and gas statutes that provide for penalty for violation of the code. The important part of this code in the jurisdiction prospective is that this really furnish how to comply with the notice requirements. Within the Code that I handed out there are other provisions, for example, if you look at 82-10-505, you can see where the oil and gas developer or operator is responsible for damages to the property. That is not part of the notice provision. You can see for example, 82-10-507, regards the negotiation of the written surface agreement. 82-10-508 talks about what happens if the parties are unable to reach agreement, compensation for surface damages. It specifically says at the end of 508 - that person may bring an action for compensation in the district court of the county in which the damage was sustained.

So there is um, in my opinion, a limitation on the Board's jurisdiction under this part to consideration of violations of the notice requirements. You can also [unintelligible] provision to refer you to you, if you look at 82-10-511, the rights and the remedies. Under this section to whether this part not exclusive it can prevent people from seeking other remedies allowed by law. So in my opinion the limitation on the Board's jurisdiction is to questions regarding the notice. Whether the notice was adequate. That is exclusive in the statute under 82-10-510.

That is consistent with the Montana Supreme Court decision in the *Pinnacle* case, 2009 case that Mr. O'Toole referred to, the Supreme Court specifically referenced the Board of Oil and Gas Conservation's authority to remedy notice violations. It does not express or suggest that the Board of Oil and Gas Conservation has authority regarding to surface damage, to the extent of things like compensation for damages or for declarations that the parties must negotiate in good faith or scientific analysis of disturbed lands. The types of remedies that the Malsam family has sought, in addition to the remedies regarding notice. And so it would be my recommendation to the Board consistent with the request of Mr. Towe that we make a determination on this part about the extent of the Board's authority.

It is my recommendation that the Board limit its consideration to the notice issues. And that the Board receive further testimony and argument only with regard to the notice questions as contrast in 82-10-510.

Chairwoman: Are you clear on that or do you have any questions at all.

Rob: The board members, staff or the parties.

With that, Madam Chair, I would recommend that Mr. Towe had indicated he may be interested in calling Gary Klotz regarding some surface damage questions. Did you have any interest in calling Mr. Klotz regarding notice?

Tom: No.

Rob: Okay. Do you have any more presentation regarding notice? If not, I would recommend that Mr. O'Toole be given an opportunity to present his testimony and argument regarding notice.

Chairwoman: Okay. If you guys want to change places and Mr. O'Toole's work can come up here.

PROPOSED CHANGES TO THE ORDER  
BEFORE THE BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

UPON THE APPLICATION OF MALSAM FAMILY, LLC AND TODD MALSAM, FOR A COMPLAINT AGAINST J. BURNS BROWN OPERATING CO., JOHN BROWN, JR., AND TRAVIS BROWN FOR FAILURE TO PROVIDE NOTICE WITHIN 180 DAYS OF ACTIVITY THAT DISTURBS THE LAND SURFACE AND INADEQUACY OF THE REQUIRED NOTICE THAT IS IN VIOLATION OF SECTION §2-10-503(1), M.C.A., FAILURE TO NEGOTIATE A SURFACE USE DAMAGE AGREEMENT IN GOOD FAITH THAT IS IN VIOLATION OF SECTION §2-10-504(1)(A), M.C.A., AND FAILURE TO ADEQUATELY RECLAIM THE WELL SITE AS REQUIRED BY THE PERMIT TO DRILL.

ORDER 111-2015

Docket No. 114-2015

Report of the Board

The above entitled cause came on regularly for hearing on June 25, 2015 at the Board's hearing room at 2535 St. Johns Avenue in Billings, Montana, pursuant to the order of the Board of Oil and Gas Conservation of the State of Montana, hereinafter referred to as the Board. Vice-Chair Wayne Smith was absent. At this time and place testimony was presented, statements and exhibits were received, and the Board then took the cause under advisement; and, the Board having fully considered the testimony, statements and exhibits and all things and matters presented to it for its consideration by all parties in the Docket, and being well and fully advised in the premises, finds and concludes as follows:

Findings of Fact

1. Due, proper, and sufficient notice was published and given of this matter, the hearing hereon, and of the time and place of said hearing, as well as the purpose of said hearing; all parties were afforded opportunity to present evidence, oral and documentary.
2. Malsam Family, LLC and Todd Malsam (collectively Malsam) filed an application against J. Burns Brown Operating Co., John Brown, Jr., and Travis Brown (collectively Brown) alleging violation of the 180-day notice period in §82-10-503(1), MCA, alleging violation of the adequacy of the notice under §82-10-503(1), MCA, and alleging other violations related to negotiation and compensation for surface damage.
3. At the hearing, Malsam was represented by attorney Tom Towe and Brown was represented by attorney Loren J. O'Toole III. Malsam testified that it filed a parallel lawsuit regarding the same subject matter on October 27, 2014, in the Montana 17<sup>th</sup> Judicial District Court, cause number DV 2014-43. No documentation from that lawsuit was offered into evidence.
4. Malsam is the surface owner where the Malsam 21-34-20B well is located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 21, T34N-R20E in Blaine County, Montana. The well is operated by Brown.
5. On April 2, 2014, Malsam received written notification of the Brown's intent to drill a well. The notice included a copy of §82-10-503 and a copy of "A Guide to Split Estates in Oil and Gas Development".
6. The 180-day notice period to commence activity that disturbs the land surface expired on September 29, 2014. The first disturbance to the land surface occurred on October 3, 2014, 184 days after written notice was received by Malsam.

BOARD ORDER NO. 111-2015

7. Malsam argued that the 184 day delay between receipt of written notification and disturbance of the land surface violated the 180-day notice period. Brown argued that the 180-day notice period should be extended 9 days, the period of time that Malsam denied Brown's surveyor access to the drilling location.

~~8. Board staff testified that an inspection performed on April 26, 2015, found the surface location of the well to be in compliance with the approved permit conditions and Board rules.~~

9. The evidence indicates that taking the following action will serve to protect correlative rights and be in the interest of conservation of oil and gas in the State of Montana.

Conclusions of Law

1. Section 82-10-510, MCA, establishes the Board's jurisdiction to address violations of the notice requirement of §82-10-503, MCA.

2. \*Disputes related to negotiation and compensation for surface damage must be addressed by a district court under §82-10-508, MCA.

3. The 184 day delay between Malsam's receipt of adequate written notification and Brown's disturbance of the land surface violated the 180-day notice period §82-10-503 MCA.

4. Section 82-11-147(1)(b), MCA, authorizes the Board to assess a civil penalty for violation of the notice requirement of §82-10-503, MCA.

5. The Board concludes that Malsam demonstrated the notice requirements of §82-10-503, MCA, were not met and a civil penalty should be assessed against Brown for the notice violation.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that J. Burns Brown Operating Co. will be fined \$100.00 per day for the four days between the expiration of the required 180-day notice period and the commencement of activity that disturbed the land surface.

\* (Insert):

The Board concludes that its jurisdiction is limited to the notice requirements and not to any other issues identified in this proceeding.

BOARD ORDER NO. 111-2015

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 25<sup>th</sup> day of June, 2015.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

\_\_\_\_\_  
Linda Nelson, Chairman

Ronald S. Efta, Board Member

\_\_\_\_\_  
John Evans, Board Member

\_\_\_\_\_  
Peggy Arnes Nerud, Board Member

I dissent

\_\_\_\_\_  
Steven Durrett, Board Member

\_\_\_\_\_  
Paul Gatzemeier, Board Member

ATTEST:

\_\_\_\_\_  
Jennifer Rath, Program Specialist

## Rulemaking – Carbon Sequestration

BEFORE THE BOARD OF OIL AND GAS CONSERVATION AND  
THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
OF THE STATE OF MONTANA

In the matter of the adoption of New ) NOTICE OF PUBLIC HEARING ON  
Rule I pertaining to certification of ) PROPOSED ADOPTION  
carbon sequestration equipment )

To: All Concerned Persons

1. On **between 9/16 and 9/24**, at **TIME**, the Department of Natural Resources and Conservation Board of Oil and Gas Conservation will hold a public hearing at 2535 St. Johns Avenue, Billings, Montana, to consider the proposed adoption of the above-stated rule.

2. The department will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the department no later than September 11, 2015, to advise us of the nature of the accommodation that you need. Please contact Jim Halvorson, Montana Board of Oil and Conservation, 2523 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; e-mail [jhalvorson@mt.gov](mailto:jhalvorson@mt.gov).

3. The rule as proposed to be adopted provides as follows:

NEW RULE I CERTIFICATION OF CARBON SEQUESTRATION  
EQUIPMENT (1) For the purposes of this rule, "operator" means:

(a) the owner or operator of a carbon sequestration project approved by a state or federal agency; or

(b) the owner or operator of a closed-loop enhanced oil recovery operation located within an enhanced recovery project approved by the board.

(2) An operator who wishes to obtain a certificate of eligibility for classification of carbon sequestration equipment or equipment used in a closed-loop enhanced oil recovery project as class fifteen property under 15-6-158(4)(b), MCA (2015), must simultaneously file with the board a copy of the application for tax abatement under 15-24-3111, MCA, that is filed with the Department of Environmental Quality.

(3) Eligible equipment includes:

(a) equipment used to inject or retain carbon dioxide which is located within a carbon sequestration project authorized by the responsible state or federal agency; and

(b) equipment used to inject or maintain carbon dioxide in a closed-loop enhanced oil recovery operation that is downstream of the pipeline meter used to measure the amount of carbon dioxide delivered to the closed-loop enhanced oil recovery operation. Pipelines eligible for certification under ARM 17.80.204 are not considered enhanced oil recovery operation equipment.

(4) Within 30 days of receipt of an application pursuant to (2), board staff shall determine whether the application is complete and notify the applicant in writing of its determination.

(a) If the application is incomplete, the written notice shall identify deficiencies.

(b) The applicant may supplement the application to address the deficiencies or submit a new application.

(5) If the application is determined to be complete and eligible for certification under 15-6-158(4)(b), MCA (2015), within 60 days of the determination, board staff shall certify in writing to the applicant and the Department of Revenue that the equipment is eligible for certification.

(6) If an application is determined by board staff not to be eligible for certification, the operator may file a petition for hearing of the application, which must be filed in triplicate with the board. Upon receipt of the petition, the board will set a hearing date for the application, and cause notice of the hearing to be published as provided in 82-11-141, MCA.

(7) By January 31 of each subsequent calendar year, the operator of equipment certified under 15-6-158(4)(b), MCA (2015), must file with the board:

(a) a copy of the report submitted to the Department of Environmental Quality as required under ARM 17.80.225. For closed-loop enhanced recovery operations this report must include:

(i) changes in the numbers and locations of wells and equipment; and

(ii) a report disclosing the volume of the carbon dioxide injected and the volume retained during the previous tax year; and

(b) documentation to identify and describe any catastrophic or unforeseen occurrences that contributed to a carbon dioxide retention rate of less than 85 percent.

(8) Operator must remain in substantial compliance with any rules, laws, orders, and permit conditions applicable to the project.

(9) Carbon sequestration equipment as defined in 15-6-158(2)(c), MCA, which was placed in service after January 1, 2014, and certified by the Department of Environmental Quality before October 1, 2015, is exempt from the requirements of this rule and is already certified by the board.

AUTH: 15-6-158, 82-11-111, MCA

IMP: 15-6-158, 82-11-141, MCA

REASONABLE NECESSITY: HB 156 (Session Laws of Montana 2015, Chapter No. 407, Section 2, to be codified at 15-6-158(5)(b), MCA [2015]) requires the board to: "...promulgate rules specifying procedures, including timeframes for certification application, and definitions necessary to identify carbon sequestration equipment for certification and compliance". In addition to certification, it also requires the board to: "...identify and track compliance in the use of carbon sequestration equipment...". This rule is reasonably necessary for the board to comply with the requirements of HB 156.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted in writing to Jim Halvorson, Montana Board of Oil and Conservation, 2523 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; or e-mail [jhalvorson@mt.gov](mailto:jhalvorson@mt.gov), and must be received no later than 5:00 p.m. on September 24, 2015.

5. [HEARING OFFICER], has been designated to preside over and conduct the public hearing.

6. The department maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding conservation districts and resource development, forestry, oil and gas conservation, trust land management, water resources, or a combination thereof. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to Lucy Richards, P.O. Box 201601, 1625 Eleventh Avenue, Helena, MT 59620; fax (406) 444-2684; e-mail [lrichards@mt.gov](mailto:lrichards@mt.gov); or may be made by completing a request form at any rules hearing held by the department.

7. An electronic copy of this proposal notice is available through the department's web site at <http://www.dnrc.mt.gov>. The department strives to make the electronic copy of the notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered.

8. The bill sponsor contact requirements of 2-4-302, MCA, apply and have been fulfilled. The primary bill sponsor was contacted by [METHOD] on [DATE-no later than 8/11 if board hearing to approve notice for filing is 8/12].

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the adoption of the above-referenced rule will not significantly and directly impact small businesses.

/s/  
JOHN E. TUBBS  
Director  
Natural Resources and Conservation

/s/  
TOMMY BUTLER  
Rule Reviewer

/s/  
LINDA NELSON  
Board Chair, Montana Board of Oil Gas and Conservation

Certified to the Secretary of State [August 17, 2015].

MAR Notice No. 36-22-186A

# Montana Board of Oil & Gas Conservation Proposed Meeting Schedule 2016

KEY	
FILING DEADLINE	◻
MEETING/HEARING	◻
HOLIDAYS	◊

### JANUARY

S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

### FEBRUARY

S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29					

### MARCH

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		1	2	3	4	5
6	7	8	9	10	11	12
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27	28	29	30	31		

### APRIL

S	M	T	W	TH	F	S
					1	2
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24	25	26	27	28	29	30

### MAY

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28	29	30	31			

### JUNE

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### JULY

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31						

### AUGUST

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	1	2	3	4	5	6
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21	22	23	24	25	26	27
28	29	30	31			

### SEPTEMBER

S	M	T	W	TH	F	S
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### OCTOBER

S	M	T	W	TH	F	S
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16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

### NOVEMBER

S	M	T	W	TH	F	S
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30						

### DECEMBER

S	M	T	W	TH	F	S
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24	25	26	27	28	29	30
31						

MONTANA BOARD OF OIL AND GAS CONSERVATION  
FINANCIAL STATEMENT

As of 6/30/2015

Fiscal Year 2015: Percent of Year Elapsed - 100%

		Budget	Expends	Remaining	%
Regulatory	Personal Services	1,071,029	976,037	94,992	0.91
UIC	Personal Services	235,103	133,899	101,204	0.57
	Total Expend	1,306,132	1,109,936	196,196	0.85
Regulatory	Equipment & Assets	43,237	51,410	(8,173)	1.19
UIC	Equipment & Assets	9,491	11,299	(1,808)	1.19
	Total Expend	52,728	62,709	(9,981)	1.19
Regulatory	Contracted Services	200,000	110,511	89,489	0.55
	Supplies	55,742	40,010	15,732	0.72
	Communication	71,819	49,772	22,047	0.69
	Travel	38,000	36,796	1,204	0.97
	Rent	33,000	30,360	2,640	0.92
	Utilities	17,000	15,839	1,161	0.93
	Repair/Maintenance	15,620	21,141	(5,521)	1.35
	Other Expenses	20,000	20,333	(333)	1.02
	Total Operating Expenses	451,181	324,763	126,418	0.72
UIC	Contracted Services	14,976	6,683	8,293	0.45
	Supplies	12,561	4,292	8,269	0.34
	Communication	8,000	6,064	1,936	0.76
	Travel	9,213	7,363	1,850	0.80
	Rent	2,000	1,188	812	0.59
	Utilities	3,500	1,349	2,151	0.39
	Repair/Maintenance	4,000	2,952	1,048	0.74
	Other Expenses	8,000	5,813	2,187	0.73
	Total Operating Expenses	62,250	35,705	26,545	0.57
	Total Expend	513,431	360,468	152,963	0.70

Funding Breakout	Regulatory Budget	Regulatory Expends	UIC Budget	UIC EPA Grants	UIC Expends
State Special	1,565,447	1,352,210	306,844		180,903
Federal 2014 UIC (10-1-2013 to 9-30-2014)			107,089	51,747	51,747
Federal 2015 UIC (10-1-2014 to 9-30-2015)			108,000	22,314	17,612
Total	1,565,447	1,352,210	521,933	74,061	250,262

	Budget	Expends	Remaining	%
Carryforward FY13				
Personal Services	100,000	31,793	68,207	0.32
Operating Expenses	631,163	61,444	569,719	0.10
Damage Mitigation Operating Expenses	122,911	2,386	120,525	0.02
Total	854,074	95,624	758,450	0.11
Carryforward FY14				
Personal Services	20,331	-	20,331	0.00
Operating Expenses	30,497	-	30,497	0.00
Equipment & Assets	50,828	-	50,828	0.00
Total	101,656	-	101,656	0.00
EOR Study OTO				
Operating Expenses	169,717	18,913	150,804	0.11
Compliance & Field Inspection (OTO)				
Personal Services	159,178	-	159,178	0.00
Operating Expenses	9,000	25	8,975	0.00
Equipment & Assets	28,000	28,000	-	1.00
Total	196,178	28,025	168,153	0.14
Procedures Manual				
Operating Expenses	120,000	-	120,000	0.00
Regulatory Program ADJ (OTO)				
Personal Services	6,150	334	5,816	0.05
Operating Expenses	31,302	14,785	16,517	0.47
Equipment & Assets	3,000	3,000	-	1.00
Total	40,452	18,120	22,332	0.45
UIC Program ADJ (OTO)				
Personal Services	1,350	18	1,332	0.01
Operating Expenses	23,780	1,865	21,915	0.08
Equipment & Assets	3,000	3,000	-	1.00
Total	28,130	4,883	23,247	0.17

<b>REVENUE INTO STATE SPECIAL REVENUE ACCOUNT 6/30/15</b>		
	FY 15	FY 14
Oil & Gas Production Tax	\$ 1,062,153	\$ 2,384,297
*Oil Production Tax	78,950	2,207,096
*Gas Production Tax	983,203	177,201
Drilling Permit Fees	39,925	44,850
UIC Permit Fees	231,890	227,200
Interest on Investments	5,616	3,660
Copies of Documents	4,448	4,529
Miscellaneous Reimbursements	13,000	-
<b>TOTAL</b>	<b>\$ 2,419,184</b>	<b>\$ 2,664,536</b>

*\*FY 15 does not include the 4th quarter sales*

<b>REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 6/30/15</b>	
	FY 15
Transfer in from Orphan Share	\$ -
RIT Interest	-
Bond Forfeitures	45,128
Interest on Investments	588
<b>TOTAL</b>	<b>\$ 45,716</b>

<b>Investment Account Balances - 6/30/15</b>	
Regulatory Account	\$ 3,651,055
Damage Mitigation Account	\$ 476,823

<b>REVENUE INTO GENERAL FUND FROM FINES as of 6/30/15</b>		FY 15
AMERICAN MIDWEST OIL AND GAS CORP	1/23/2015	\$ 5,000
BENSUN ENERGY	11/21/2014	130
BLACK BUTTE DRILLING LLC	1/21/2015	1,000
BOH INCORPORATED	3/27/2015	140
BUCKLEY PRODUCING CO	12/22/2015	60
CENTRAL MONTANA RESOURCES LLC	9/12/2014	320
CGC LLC/GRYNBERG, JACK	1/30/2015	70
DANIELSON PATRICIA/DANIELSON, LLOYD	10/3/2014	70
DELPHI INTERNATIONAL INC	1/30/2015	80
GUARDIAN EXPLORATION INC	5/20/2015	1,220
HABETS GLEN	9/17/2014	90
HAWLEY HYDROCARBONS	12/19/2015	2,500
JHR SPECIAL/RANKIN, PAUL	8/27/2014	80
JHR SPECIAL/RANKIN, PAUL	6/5/2015	60
KENNETH KLANIKA - STATOIL OIL AND GAS	3/20/2015	140
KNAUP HARRY AND LUCILLE	2/6/2015	70
LONGSHOT OIL LLC	1/30/2015	80
MCOIL MONTANA ONE LLC	10/17/2014	80
MCOIL MONTANA ONE LLC	1/16/2015	80
MILLER CHRISTOPHER D/MILLER, CHRISTOPHER D	8/15/2014	1,120
PRIMARY PETROLEUM COMPANY LLC	10/8/2014	100
QUINQUE OIL	2/6/2015	80
SBG SHERIDAN FACILITY LLC	2/6/2015	60
SBG SHERIDAN FACILITY LLC	3/20/2015	500
SEYMOUR OIL AND GAS	4/21/2015	260
SOUTHWESTERN ENERGY COMPANY	9/5/2014	90
STEALTH ENERGY USA INC	9/12/2014	90
STEALTH ENERGY USA INC	2/9/2015	70
WEXCO RESOURCES	4/6/2015	1,000
<b>TOTAL</b>		<b>\$ 14,640</b>

**GRANT BALANCES - 6/30/15**

<u>Name</u>	<u>Authorized Amt*</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>
2009 Northern RIT 10-8697	\$ 322,236	\$ 204,392	\$ 117,844	Completed
2009 Southern RIT 10-8698	315,219	173,525	141,694	Completed
2011 Southern - TankBattery2 RIT 12-8723	204,951	124,510	80,441	Under Contract
2011 Northern/Eastern RIT 13-8753	332,642	85,104	247,538	Under Contract
2011 Eastern RIT 13-8752	<u>318,498</u>	<u>287,198</u>	<u>31,300</u>	Completed
TOTAL	\$ 1,493,546	\$ 874,728	\$ 618,818	

\* includes match requirement for grant

combined into new project 2009 Northern-Southern  
grant expires 09-30-15  
grant expires 09-30-15  
grant expires 12-31-15  
grant expires 12-31-15

**CONTRACT BALANCES - 6/30/15**

	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>
MT Tech - Elm Coulee EOR Study (MOU 127220)	\$ 863,905	\$ 443,480	\$ 420,425	Under Contract
C-Brewer - Big Wall Tank Battery (OG-CB-155)	96,458	58,220	38,239	Completed
Liquid Gold Well Service - 11 Eastern (OG-LG-147)	316,405	316,386	19	Completed
MT Tech - Survey of Native Proppant (SNaP)	383,101	295,503	87,598	Under Contract
Teachers Workshop 2014 and 2015	96,000	80,443	15,557	Completed
Agency Legal Services (ALS - Legal) (ALS-2015)	65,000	58,575	6,425	Completed
Automated Maintenance Services, Inc. (OG-AMS-149)	21,484	21,484	-	Completed
Liquid Gold Well Service -- 11 Northern/Eastern (OG-LG-150)	201,325	193,592	7,733	Completed
Liquid Gold Well Service, Inc. - 09 Northern-Southern (OG-LG-154)	263,756	244,576	19,180	Completed
Central Avenue Mall FY 14	400	400	-	Completed
HydroSolutions - EPA Primacy Class VI Injection (DNR12-2558T)	57,156	56,392	764	Under Contract
MT Tech - Procedures Manual/Field Inspection System	32,699	8,565	24,134	Completed
ALL Consulting - Server System Migration	21,000	21,000	-	Completed
ALL Consulting - Update Data Mining	<u>28,000</u>	<u>28,000</u>	-	Completed
TOTAL	\$ 2,446,689	\$ 1,826,615	\$ 620,074	

exp 12-31-17  
exp 9-30-15  
exp 9-30-15  
exp 9-30-15  
exp 7-31-15  
exp 6-30-16  
exp 6-30-15  
exp 6-30-15  
exp 6-30-15  
exp 8-31-15  
exp 5-31-16  
exp 8-30-14  
exp. 7-16-14  
exp 7-16-14

**ALS Expenditures 7/1/15 thru 6/30/2015**

<u>Case</u>	<u>Amt Spent</u>	<u>Last Svc Date</u>
BOGC Duties	\$ 29,025	6/30/2015
Hekkel v BOGC	13,763	6/30/2015
CCRC vs. Board	15,519	6/30/2015
Omimex	105	6/30/2015
Ostby	<u>162</u>	6/30/2015
Total	\$ 58,575	

## Bond Summary

## Montana Board of Oil and Gas Conservation Summary of Bond Activity

6/22/2015 Through 8/11/2015

### Approved

Bensun Energy, LLC Sidney MT	622 M1	Approved Amount: Purpose:	7/30/2015 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00 STOCKMAN BANK, BILLINGS		
Black Gold Energy Resource Development, LLC Billings MT	786 T1	Approved Amount: Purpose:	6/29/2015 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Lexon Insurance Company		
Chelin LLC Cut Bank MT	767 M1	Approved Amount: Purpose:	7/6/2015 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00 FIRST STATE BANK OF SHELBY		
Cobra Oil & Gas Corporation Wichita Falls TX	790 M1	Approved Amount: Purpose:	7/13/2015 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 U.S. Specialty Insurance Co.		
Croft Petroleum Co. Cut Bank MT	1720 G7	Approved Amount: Purpose:	7/23/2015 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00 FIRST STATE BANK OF SHELBY		
Grassy Butte LLC Williston ND	788 G3	Approved Amount: Purpose:	6/29/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 FIRST INTERSTATE BANK		
Petro-Sentinel LLC Littleton CO	789 G1	Approved Amount: Purpose:	6/29/2015 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00 Beartooth Bank		
Treasure Operating Company, LLC Denver CO	774 M1	Approved Amount: Purpose:	8/3/2015 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 U.S. Specialty Insurance Co.		
White Rock Oil & Gas, LLC Dallas TX	779 T7	Approved Amount: Purpose:	7/20/2015 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Aspen American Insurance Company		

### Bond Increase

Continental Resources Inc Oklahoma City OK	1550 U1	Bond Increase Amount: Purpose:	6/30/2015 \$110,000.00 UIC Limited Bond
Surety Bond	\$110,000.00 RLI INSURANCE COMPANY		

### Released

## Montana Board of Oil and Gas Conservation Summary of Bond Activity

6/22/2015 Through 8/11/2015

### Released

Bensun Energy, LLC Sidney MT	622 G1	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 Wells Fargo Bank Montana		
Bensun Energy, LLC Sidney MT	622 G3	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 STOCKMAN BANK, BILLINGS		
Bensun Energy, LLC Sidney MT	622 G4	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 Stockman Bank of Montana		
Bensun Energy, LLC Sidney MT	622 G2	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 STOCKMAN BANK, BILLINGS		
Chelin LLC Cut Bank MT	767 G1	Released Amount: Purpose:	7/7/2015 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00 FIRST STATE BANK OF SHELBY		
East Outlook Operations, LLC Bozeman MT	712 G1	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 Stockman Bank of Montana		
Forward Energy, LLC Mt. Juliet TN	492 G1	Released Amount: Purpose:	6/29/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 U.S. BANK, BILLINGS		
Forward Energy, LLC Mt. Juliet TN	492 G2	Released Amount: Purpose:	6/29/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 U.S. BANK, BILLINGS		
Fram Operating, LLC Colorado Springs CO	614 G1	Released Amount: Purpose:	8/10/2015 \$10,000.00 Single Well Bond
Surety Bond	\$10,000.00 Minnesota Surety and Trust Company		
Surety Bond	\$10,000.00 Lexon Insurance Company		
Macum Energy Inc. Billings MT	4550 G12	Released Amount: Purpose:	7/30/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 FIRST INTERSTATE BANK		

# Montana Board of Oil and Gas Conservation Summary of Bond Activity

6/22/2015 Through 8/11/2015

## Released

Thomas Operating Co., Inc. Greeley CO	289 M1	Released Amount: Purpose:	7/9/2015 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	
Wexco Exploration, LLC Dallas TX	746 G1	Released Amount: Purpose:	7/6/2015 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00	FIRST INTERSTATE BANK	

# Spill Report

# Incident Report

Company	Responsibility	Date	Incident	Oil Released	Water Released	Source	Contained	Latitude	Longitude	County	T-R-S
EOG Resources, Inc.	BOG	6/22/2015	Spill or Release	25 Barrels		Treater	No	47.96870	-104.92109	Richland	26N-53E-31 NWNE
Consolidated Oil & Gas, Inc.	BOG	6/24/2015	Spill or Release		5 Barrels	Tank or Tank Battery	Yes	48.32606	-104.42496	Roosevelt	30N-56E-27 SENW
Continental Resources Inc	BOG	6/27/2015	Fire			Flare Pit	No	47.96842	-104.73720	Richland	26N-54E-34 NWNW
Continental Resources Inc	BOG	6/29/2015	Spill or Release	2 Barrels		Treater	No	47.98321	-104.99176	Richland	26N-52E-27 NENW
Denbury Onshore, LLC	FED	6/29/2015	Spill or Release	5 Barrels	3 Barrels	Flow Line - Production	No	46.46005	-104.30806	Fallon	8N-59E-11 NWSE
Denbury Onshore, LLC	FED	7/1/2015	Spill or Release		80 Barrels	Flow Line - Injection	No	46.42074	-104.29198	Fallon	8N-59E-25 SENW
Continental Resources Inc	BOG	7/1/2015	Spill or Release	21 Gallons	2 Barrels	Well Head	No	47.60497	-104.32827	Richland	21N-58E-6 SESW
SM Energy Company	BOG	7/3/2015	Spill or Release	3 Barrels	3 Barrels	Treater	Yes	48.14113	-104.16328	Roosevelt	28N-58E-36 NENE
Denbury Onshore, LLC	BOG	7/4/2015	Fire			Other	No	46.43245	-104.27159	Fallon	8N-60E-19 SENW
Denbury Onshore, LLC	FED	7/5/2015	Spill or Release	2 Barrels	4 Barrels	Flow Line - Production	No	46.79500	-104.30940	Fallon	8N-59E-11 NWSE
Denbury Onshore, LLC	BOG	7/5/2015	Spill or Release		85 Barrels	Flow Line - Injection	No	46.31648	-104.11590	Fallon	7N-61E-31 NESE
Whiting Oil and Gas Corporation	BOG	7/8/2015	Spill or Release		7 Barrels	Tank or Tank Battery	Yes	47.89594	-104.19460	Richland	25N-58E-26 NENW
Denbury Onshore, LLC	BOG	7/9/2015	Spill or Release		150 Barrels	Flow Line - Production	No	46.39363	-104.25555	Fallon	7N-60E-6 NENW
Denbury Onshore, LLC	BOG	7/11/2015	Fire			Other	No	46.38462	-104.21126	Fallon	7N-60E-4 SESW
Denbury Onshore, LLC	BOG	7/12/2015	Spill or Release	2 Barrels	3 Barrels	Flow Line - Production	No	46.28302	-104.13021	Fallon	6N-61E-7 SWSW
Poor Boy Oil, LLP	BOG	7/15/2015	Spill or Release	5 Barrels		Tank or Tank Battery	Yes	47.81771	-104.18282	Richland	24N-59E-29 NWNW
Denbury Onshore, LLC	BOG	7/15/2015	Spill or Release	5 Barrels	100 Barrels	Flow Line - Production	No	46.69771	-104.50991	Wibaux	11N-57E-23 NWNE
Denbury Onshore, LLC	FED	7/16/2015	Fire			Well Head	Yes	46.74445	-104.56344	Wibaux	12N-57E-33 SWSW
Denbury Onshore, LLC	BOG	7/21/2015	Spill or Release	1 Barrels	4 Barrels	Well Head	Yes	46.49562	-104.37681	Fallon	9N-58E-35 NENE
Wesco Operating, Inc.	BOG	7/25/2015	Spill or Release	3 Barrels	3 Barrels	Well Head	No	46.52725	-104.38358	Fallon	9N-58E-14 SWSE
Vanguard Operating, LLC	BOG	7/26/2015	Spill or Release	21 Gallons		Flare Pit	No	47.61455	-104.24969	Richland	21N-58E-2 NWNW
Continental Resources Inc	BOG	7/26/2015	Fire			Flare Pit	No	47.73278	-104.56923	Richland	23N-56E-20 SWSW
Denbury Onshore, LLC	BOG	7/28/2015	Spill or Release	3 Barrels	50 Barrels	Treater	No	46.86130	-104.67561	Prairie	13N-56E-19 SWSE
Denbury Onshore, LLC	BOG	7/28/2015	Spill or Release			Vessel/Container	No	46.42847	-104.26434	Fallon	8N-60E-19 NESE
Denbury Onshore, LLC	FED	7/30/2015	Spill or Release	50 Barrels		Treater	Yes	46.91810	-104.73190	Dawson	13N-55E-3 NENE
Denbury Onshore, LLC	FED	7/31/2015	Spill or Release		20 Barrels	Well Head	Yes	46.69404	-104.53090	Wibaux	11N-57E-22 SWNE
Oasis Petroleum North America LLC	BOG	8/2/2015	Spill or Release	8 Barrels		Tank or Tank Battery	No	48.10042	-104.25362	Roosevelt	27N-58E-8 SWSE

## Docket Summary

Docket Summary

8/13/2015 Hearing

123-2015	Montana Land & Exploration, Inc.	Permanent spacing unit, Eagle Formation, 34N-20E-22: SE (SE Battle 15-22; 005-23484).		<i>Well name error in original application; amended.</i>	<input type="checkbox"/>
124-2015	Decker Operating Company, L.L.C.	Permanent spacing unit, Bowdoin Formation, 37N-29E-23: all OR 37N-29E-23: NW NE SE, S2 NE SE, NE NW SE, S2 NW SE, S2 SE, 26: NW NE NE, NE NW NE (MLFU #2379-1).			<input type="checkbox"/>
125-2015	Decker Operating Company, L.L.C.	Permanent spacing unit, Bowdoin Formation, 37N-29E-24: all (MLFU #2479-1).			<input type="checkbox"/>
126-2015	Decker Operating Company, L.L.C.	Exception to drill an additional well, permanent spacing unit, Bowdoin Formation, 37N-29E-24: all, proposed location 1,752' FNL/ 1,247' FEL. Default Docket requested.			<input type="checkbox"/>
127-2015	Weil Group Resources, LLC	Exception to statewide, Red River Formation, 33N-9E-10: all (approximately 1,050' FNL/ 600' FEL). Apply for permanent spacing within 90 days of successful completion.		<i>Default Docket requested - error on pink sheet.</i>	<input type="checkbox"/>
128-2015	Continental Resources Inc	Extend Class II pilot enhanced recovery project for 18 months, Bakken Formation, Staci 3-11H, permanent spacing unit 23N-55E-11: all, 14: all.			<input type="checkbox"/>
129-2015	Kraken Oil & Gas, LLC	Amend Order 192-2012 to allow 200' heel/toe, 500' lateral setbacks in temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-15: all, 22: all. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. Default requested.	<b>Default</b>	<i>Order 192-2012: Allowed 200' heel/toe and 1320' lateral setbacks</i>	<input type="checkbox"/>
130-2015	Kraken Oil & Gas, LLC	Vacate orders 442-2011 (SB, 27N-57E-25: all, 36: all), 93-2011 (TSU, 27N-57E-25: all, 36: all) & 214-2010 (TSU, 27N-57E-26: all, 35: all), create temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-25: all, 26: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. Default requested.	<b>Default</b>	<i>Order 442-2011: Allows 200' heel/toe and 1320' lateral setbacks in TSU (27N-57E-25: all, 36: all) Order 93-2011: Creates TSU (27N-57E-25: all, 36: all) Order 214-2010: Creates TSU (27N-57E-26: all, 35: all)</i>	<input type="checkbox"/>
131-2015	Kraken Oil & Gas, LLC	Vacate orders 442-2011 (TSU, 27N-57E-25: all, 36: all), 93-2011 (TSU, 27N-57E-25: all, 36: all) & 214-2010 (TSU, 27N-57E-26: all, 35: all), create temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-35: all, 36: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. Default requested.	<b>Default</b>	<i>Order 442-2011: Allows 200' heel/toe and 1320' lateral setbacks in TSU (27N-57E-25: all, 36: all) Order 93-2011: Creates TSU (27N-57E-25: all, 36: all) Order 214-2010: Creates TSU (27N-57E-26: all, 35: all)</i>	<input type="checkbox"/>
132-2015	Kraken Oil & Gas, LLC	Vacate orders 94-2011 (TSU, 27N-57E-27: all, 34: all) & 410-2011 (TSU, 27N-57E-28: all, 33: all), create temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-27: all, 28: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. Default requested.	<b>Default</b>	<i>Order 410-2011: Creates TSU (27N-57E-28: all, 33: all) Order 94-2011: Creates TSU (27N-57E-27: all, 34: all)</i>	<input type="checkbox"/>

133-2015	Kraken Oil & Gas, LLC	Vacate orders 94-2011 (TSU, 27N-57E-27: all, 34: all) & 410-2011 (TSU, 27N-57E-28: all, 33: all), create temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-33: all, 34: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order. Default requested.	Default	Order 410-2011: Creates TSU (27N-57E-28: all, 33: all) Order 94-2011: Creates TSU (27N-57E-27: all, 34: all)	<input type="checkbox"/>
134-2015	Legacy Reserves Operating LP	Class II saltwater disposal permit, Dakota Formation, Gov't McGhee 1A, 17N-53E-22: 2055' FNL/660' FEL (NE/4SE/4), API #021-05146.	Default		<input type="checkbox"/>
135-2015	Slawson Exploration Company Inc	Temporary spacing unit, Tyler Formation, 21N-59E-13: SWSW, 14: SESE, 23: NENE, 24: NWNW, recompletion operations in the Pilum #1-24H well (21N-59E-24, 250' FNL, 350' FWL). Apply for permanent spacing within 90 days of completion. Default requested.	Default		<input type="checkbox"/>
136-2015	Horton B. Koessler & James H. Koessler	Vacate and rescind order 353-2013, pooling with penalties, 26N-58E-14, 23.	Continued	Order 229-2013: PSU - 26N-58E-14: all, 23: all Order 230-2013: Additional wells Order 353-2013: Pooling w/non-consent penalties Continued to October - email received 8/5/15	<input type="checkbox"/>
137-2015	Horton B. Koessler & James H. Koessler	Vacate and rescind order 16-2013, Pooling with penalties, 26N-58E-26, 35.	Continued	Order 15-2013: PSU - 26N-58E-26: all, 35: all Order 16-2013: Pooling w/non-consent penalties Order 17-2013: Additional wells Continued to October - email received 8/5/15	<input type="checkbox"/>
138-2015	Horton B. Koessler & James H. Koessler	Vacate and rescind order 594-2012, Pooling with penalties, 26N-58E-25, 36.	Continued	Order 593-2012: PSU - 26N-58E-25: all, 36: all Order 594-2012: Pooling w/non-consent penalties Order 595-2012: Additional wells Continued to October - email received 8/5/15	<input type="checkbox"/>
139-2015	SOG Resources	Class II UIC Permit, Enhanced Recovery, Cut Bank Sandstone Formation, 34N-6W-3: NE SE, 929' FEL/1330' FSL (X703B)	Default	Synergy Offshore, LLC DBA SOG Resources	<input type="checkbox"/>
300-2014	Anadarko E&P Onshore, LLC	Permanent spacing unit, Bakken/Three Forks Formation, 37N-2W-5: Lot 7 & 8, SW/4, 8: NW/4 plus federal border tracts (Horgus Fee 3702-08-05-11H).	Continued	Well permit approved under ARM 36.22.607 Amended application includes border tracts lacking lot description. Continued to October - letter received 7/29/15	<input type="checkbox"/>
2-2015	Interstate Explorations, LLC	Permanent spacing unit, Red River Formation, 14N-60E-30: E/2 (Nelson #2-1).	Continued	Related applications: 2-2015, 3-2015  Continued to October - fax received 8/5/15	<input type="checkbox"/>
3-2015	Interstate Explorations, LLC	Pool, permanent spacing unit, Red River Formation, 14N-60E-30: E/2 (Nelson #2-1). Non-consent penalties requested.	Continued	Related applications: 2-2015, 3-2015 [Larry Morgen - Morgen Farm & Ranch]  Continued to October - fax received 8/5/15	<input type="checkbox"/>
78-2015	Oasis Petroleum, Inc.	Pool, permanent spacing unit, Bakken/Three Forks Formation, 28N-58E-33: all, 34: all (Ring Fed #2858 44-34H). Non-joinder penalties requested.	Continued	PSU: Order 351-2013  Continued to October, fax recd 7/29/15.	<input type="checkbox"/>

114-2015	Malsam Family LLC & Todd Malsam	[Rehearing request] Complaint against J. Burns Brown Operating Co., John Brown, Jr., and Travis Brown for failure of to give notice within 180 days of activity that disturbs the surface, failure to negotiate a Surface Use Damage Agreement in good faith, and failure to adequately reclaim the well site as required by the permit to drill. (Malsam 21-34-20B, T34N-R20E-21)	<i>IF GRANTED - Request for rehearing by J. Burns Brown Operating &amp; requests a continuance to October</i>	<input type="checkbox"/>
116-2015	Synergy Offshore LLC	Class II UIC Permit, Enhanced Recovery, Cut Bank Sandstone Formation, P635B, 35N-6W-35: NW SE, 1780' FSL/1705' FEL (P635B)	Default	<input type="checkbox"/>
117-2015	Synergy Offshore LLC	Class II UIC Permit, Enhanced Recovery, Cut Bank Sandstone Formation, R602, 34N-6W-2: NE NE, 40' FNL/980' FEL	Default	<input type="checkbox"/>
118-2015	XTO Energy Inc.	Permanent spacing unit, Bakken/Three Forks Formation, 24N-56E-16: all, 21: all (Elaine #34X-21BXC).	<i>Related applications: 118-2015, 119-2015</i>	<input type="checkbox"/>
119-2015	XTO Energy Inc.	Pool, permanent spacing unit, Bakken/Three Forks Formation, 24N-56E-16: all, 21: all (Elaine #34X-21BXC). Non-consent penalties NOT being requested.	<i>Related applications: 118-2015, 119-2015</i>	<input type="checkbox"/>
95-2015	Kelly Oil and Gas LLC	Show Cause: why it should not immediately plug and abandon its remaining production and injection wells and why additional penalties should not be imposed for failure to pay \$3,120.00 for the failure to pay the annual injection well fee, failure to pay the late fee, failure to pay fines, failure to maintain mechanical integrity on the State #1, State E-2, and Shelhamer 1A injection wells, failure to initiate a remedy for the field violations prior to the May 21, 2015 hearing deadline for the Stensvad 2x-25 and Dybvik KV-1 oil wellsites, failure to respond to prior show-cause orders, and for failure to file production reports and to pay the administrative penalty assessed for delinquent reporting.		<input type="checkbox"/>
96-2015	Alturas Energy LLC	Show Cause: why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline for the plugging its wells, and for failure to pay the fine assessed for not appearing at the Board's April 30, 2015 hearing.		<input type="checkbox"/>
97-2015	Augusta Exploration, LLC	Show Cause: why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline of its Krone-Augusta 31-32 well, API # 25-049-21111, located in Section 32, T18N-R5W, Lewis and Clark County, Montana.		<input type="checkbox"/>
120-2015	Pride Energy Company	Show Cause: why it should not be required to immediately plug the Mable Wilson 1 well located in T36N, R36E, Section 16, Valley County, Montana and restore the location.		<input type="checkbox"/>
121-2015	Custom Carbon Processing, Inc.	Show Cause: why additional penalties should not be imposed for failure to maintain the wellsites of the Wojahn A 5-2 well located in Section 2, T13N, R60E, and the Michels A 8-3 well located in Section 3, T13N, R60E, Wibaux County, Montana.		<input type="checkbox"/>

140-2015	Cavalier Petroleum	Show Cause: why its bond should not be forfeited for failure to plug its wells and why additional penalties should not be assessed for failure to pay the administrative penalty assessed for delinquent reporting and the fine assessed for not appearing at the Board's February 26, 2015 public hearing.			<input type="checkbox"/>
141-2015	Coastal Petroleum Company	Show Cause: why its bond should not be forfeited for failure to finish surface reclamation on its State 7-16 well site located in T36N, R36E, Section 16, Valley County, Montana.			<input type="checkbox"/>
142-2015	Danielson, Patricia	Show Cause: failure to file production reports and pay administrative fees	<b>Dismissed</b>	<i>Dismissed - \$140.00 fine paid 7/31/15 &amp; reports turned in</i>	<input type="checkbox"/>
143-2015	Miocene Oil Company	Show Cause: failure to file production reports and pay administrative fees		<i>8/10/15 Miocene requests a 60 day extension</i>	<input type="checkbox"/>
144-2015	Montana Oil Field Acquisition I, LLC	Show Cause: failure to file production reports and pay administrative fees			<input type="checkbox"/>
145-2015	Kykuit Resources, LLC	Show Cause: failure to file production reports and pay administrative fees			<input type="checkbox"/>
146-2015	Statoil Oil & Gas LP	Show Cause: failure to file production reports and pay administrative fees	<b>Dismissed</b>	<i>Dismissed - \$140 fine paid (\$70.00 paid on 7/31/15 and 8/10/15) &amp; reports turned in</i>	<input type="checkbox"/>

# ALL APPLICATIONS, 8/13/2015

(In Order of Publication)

Docket	Applicant / Respondent	Status	Request
123-2015	Montana Land & Exploration, Inc.		Spacing
124-2015	Decker Operating Company, L.L.C.		Spacing
125-2015	Decker Operating Company, L.L.C.		Spacing
126-2015	Decker Operating Company, L.L.C.		Well Density
127-2015	Weil Group Resources, LLC		Exception - Drilling
128-2015	Continental Resources Inc		Enhanced Recovery
129-2015	Kraken Oil & Gas, LLC	Default	Spacing Amendment
130-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
131-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
132-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
133-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
134-2015	Legacy Reserves Operating LP	Default	Class II Permit
135-2015	Slawson Exploration Company Inc	Default	Temp. Spacing
136-2015	Horton B. Koessler & James H. Koessler	Continued	Vacate Field/Rule
137-2015	Horton B. Koessler & James H. Koessler	Continued	Vacate Field/Rule
138-2015	Horton B. Koessler & James H. Koessler	Continued	Vacate Field/Rule
139-2015	SOG Resources	Default	Class II Permit
300-2014	Anadarko E&P Onshore, LLC	Continued	Spacing
2-2015	Interstate Explorations, LLC	Continued	Spacing
3-2015	Interstate Explorations, LLC	Continued	Pooling
78-2015	Oasis Petroleum, Inc.	Continued	Pooling
114-2015	Malsam Family LLC & Todd Malsam		Other
116-2015	Synergy Offshore LLC	Default	Class II Permit
117-2015	Synergy Offshore LLC	Default	Class II Permit
118-2015	XTO Energy Inc.		Spacing
119-2015	XTO Energy Inc.		Pooling
95-2015	Kelly Oil and Gas LLC		Show-Cause
96-2015	Alturas Energy LLC		Show-Cause
97-2015	Augusta Exploration, LLC		Show-Cause
120-2015	Pride Energy Company		Show-Cause
121-2015	Custom Carbon Processng, Inc.		Show-Cause
140-2015	Cavalier Petroleum		Show-Cause
141-2015	Coastal Petroleum Company		Show-Cause
142-2015	Danielson, Patricia	Dismissed	Show-Cause
143-2015	Miocene Oil Company		Show-Cause
144-2015	Montana Oil Field Acquisition I, LLC		Show-Cause
145-2015	Kykuit Resources, LLC		Show-Cause
146-2015	Statoil Oil & Gas LP	Dismissed	Show-Cause

# APPLICATIONS TO HEAR, 8/13/2015

(In Order of Hearing)

Docket	Applicant / Respondent	Status	Request
123-2015	Montana Land & Exploration, Inc.		Spacing
124-2015	Decker Operating Company, L.L.C.		Spacing
125-2015	Decker Operating Company, L.L.C.		Spacing
126-2015	Decker Operating Company, L.L.C.		Well Density
127-2015	Weil Group Resources, LLC		Exception - Drilling
128-2015	Continental Resources Inc		Enhanced Recovery
114-2015	Malsam Family LLC & Todd Malsam	***	Other
118-2015	XTO Energy Inc.		Spacing
119-2015	XTO Energy Inc.		Pooling
95-2015	Kelly Oil and Gas LLC		Show-Cause
96-2015	Alturas Energy LLC		Show-Cause
97-2015	Augusta Exploration, LLC		Show-Cause
120-2015	Pride Energy Company		Show-Cause
121-2015	Custom Carbon Processng, Inc.		Show-Cause
140-2015	Cavalier Petroleum		Show-Cause
141-2015	Coastal Petroleum Company		Show-Cause
143-2015	Miocene Oil Company		Show-Cause
144-2015	Montana Oil Field Acquisition I, LLC		Show-Cause
145-2015	Kykuit Resources, LLC		Show-Cause

## DEFAULT DOCKET, 8/13/2015

Docket	Applicant	Status	Request
129-2015	Kraken Oil & Gas, LLC	Default	Spacing Amendment
130-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
131-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
132-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
133-2015	Kraken Oil & Gas, LLC	Default	Temp. Spacing
134-2015	Legacy Reserves Operating LP	Default	Class II Permit
135-2015	Slawson Exploration Company Inc	Default	Temp. Spacing
139-2015	SOG Resources	Default	Class II Permit
116-2015	Synergy Offshore LLC	Default	Class II Permit
117-2015	Synergy Offshore LLC	Default	Class II Permit

# **GAS FLARING**

**August 12, 2015**

Company	Wells Flaring over 100	Wells Flaring over 100 w/o Exception	Current Exceptions (over 100)	Exception Requests	Wells over 100 Hooked to Pipeline
Continental	3	0	3	0	3
EOG Resources	2	1	1	1	0
Kraken	2	1	1	1	0
Oasis Petroleum	3	0	3	0	0
Petro-Hunt	3	0	3	0	0
Statoil	1	1	0	0	0
Whiting	21	3	18	4	3
XTO	3	3	0	0	0
Totals	38	9	29	6	6

# Flaring Requests

## *Summary*

There are 38 wells flaring over 100 MCF/D based on current production numbers. Due to the delay in our production information (one - two months), we are still seeing some new completions from earlier this year bringing the number of wells flaring up. It is expected that this number will continue to drop based on the reduced number of completions expected throughout this year.

29 of the 38 wells have approved exceptions due to distance, pipeline access issues, or time to connection.

There are six exceptions requested at this time. Of the six, four are flaring due to pipeline/gas plant capacity issues, one has been unable to acquire a ROW, and one is currently in the process of connecting.

## *EOG Resources*

### **Highline 3-0508H - API #25-085-21887, 29N-59E-5**

1. Flaring 100 MCF/D. First exception request.
2. Completed: 7/2013.
3. Estimated gas reserves: 276 MMCF.
4. Estimated gas price at market: ~\$1.93/MCF.
5. Proximity to market: 2.50 miles to pipeline.
6. Estimated cost of marketing the gas: \$0.41/MCF.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 5 MCF/D.
9. Justification to flare: Oneok has been unable to obtain ROW.

## *Kraken*

### **Higgins 13-24 #1H - API # 25-085-21959, 27N-57E-12**

1. First exception request.
2. Completed: 5/2015.
3. Estimated gas reserves: Not enough production to calculate.
4. Estimated gas price at market: ~\$3/MCF.
5. Proximity of Well to Gas Market: 1.5 miles.
6. Estimated cost of marketing the gas: \$375,000 range.
7. Flaring alternatives: None.
8. Amount of gas used in lease operations: 10 MCF/D.
9. Justification to flare: ONEOK has contracted to gather gas. ROW's are still being finalized and construction should begin in coming weeks.

## ***Whiting***

### **Weber Federal 24-30-4H – API # 25-083-23242, 24N-60E-30**

1. Flaring 117 MCF/D. First exception request expires 8/25/15.
2. Completed: 9/2014.
3. Connected to pipeline: Yes.
4. Estimated gas reserves: 342 MMCF.
5. Estimated gas price at market: \$2.41/MCF.
6. Flaring alternatives: None.
7. Amount of gas used in lease operations: 2 MCF/D.
8. Justification to flare: Currently connected to pipeline, however, Oneok has no compression capacity on this portion of their system.

### **Watts 42-21-3H – API # 25-083-23221, 24N-59E-21**

1. Flaring 101 MCF/D. First exception request.
2. Completed: 6/2014.
3. Connected to pipeline: Yes.
4. Estimated gas reserves: 192 MMCF
5. Estimated gas price at market: \$2.41/MCF.
6. Flaring alternatives: None.
7. Amount of gas used in lease operations: 2 MCF/D.
8. Justification to flare: Currently connected to pipeline, however, Oneok has no compression capacity on this portion of their system.

### **Watts 42-21-4H – API # 25-083-23222, 24N-59E-21**

1. Flaring 157 MCF/D. First exception request.
2. Completed: 6/2014.
3. Connected to pipeline: Yes.
4. Estimated gas reserves: 211 MMCF
5. Estimated gas price at market: \$2.41/MCF.
6. Flaring alternatives: None.
7. Amount of gas used in lease operations: 2 MCF/D.
8. Justification to flare: Currently connected to pipeline, however, Oneok has no compression capacity on this portion of their system.

### **Sundheim 31-2-1H – API # 25-083-23115, 25N-57E-2**

1. Flaring 115 MCF/D. First exception request expired 6/3/15.
2. Completed: 7/2013.
3. Estimated gas reserves: 286 MMCF.
4. Estimated gas price at market: \$2.41/MCF.
5. Flaring alternatives: None.
6. Amount of gas used in lease operations: 2 MCF/D.
7. Justification to flare: Oneok does not have the compression capacity on this portion of their system to gather the gas. Until they do it would be uneconomic to connect to gathering system.

## GRANT PROJECTS & FIELD INSPECTOR SUMMARY

August 2015

### Shelby Inspector Replacement

Mr. John Brown accepted the Shelby Field Inspector position and assumed his duties July 27<sup>th</sup>.

### Training

The Montana Drive Workshop Training in Lewistown was completed July 9<sup>th</sup>. The Field Inspectors, Chief Field Inspector, Compliance Officer and Petroleum Engineer attended this training. This is an excellent safety course. It is highly recommended to everyone.

### Kopp #1 Well:

RIT funds remaining from recently completed grants will be utilized for this project. The steps to redirect these RIT funds are currently underway.

A Request for Proposal (RFP) was sent out to contractors with a proposal deadline of August 11<sup>th</sup>. No proposals were received.

A revised RFP with an increased project budget and new deadline will be submitted. The unknown cost of re-entering this well and the fact that H2S is present maybe two reasons no proposals were received.

Costs to re-plug this well are anticipated to be as high as \$250,000+-.