

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

UPON THE APPLICATION OF KRAKEN OIL & GAS LLC TO AMEND BOARD ORDER 142-2015, WHICH CREATED A TEMPORARY SPACING UNIT COMPRISED OF SECTIONS 25 AND 26, T27N-R57E, ROOSEVELT COUNTY, MONTANA, FOR A HORIZONTAL BAKKEN/THREE FORKS FORMATION WELL ANYWHERE WITHIN SAID SPACING UNIT BUT NOT CLOSER THAN 200' (HEEL/TOE SETBACK) AND 500' (LATERAL SETBACK) TO THE EXTERIOR BOUNDARIES THEREOF, TO REQUIRE OPERATIONS FOR THE DRILLING OF SUCH WELLS MUST BE COMMENCED NOT LATER THAN AUGUST 13, 2017.

ORDER 50-2016

Docket No. 57-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. Member Corey Welter recused himself and took no part in this matter. 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, 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 an opportunity to present evidence, oral and documentary.
2. The evidence indicates that granting the application 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

The Board of Oil and Gas Conservation of the State of Montana concludes that the applicant demonstrated the requirements of § 82-11-201, MCA have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Board Order 142-2015 is hereby amended to provide that drilling operations must commence not later than August 13, 2017.

IT IS FURTHER ORDERED that a federal communitization agreement for spacing units which contain both federal and non-federal land shall be submitted to the authorized officer of the Bureau of Land Management prior to or upon completion of a producible well.

BOARD ORDER NO. 50-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE APPLICATION OF LEGACY RESERVES OPERATING, LP TO CONVERT THE GUELF 41-35H WELL (API #25-021-21126) LOCATED IN THE NE¼NE¼ OF SECTION 35, T17N-R53E, DAWSON COUNTY, MONTANA (DEER CREEK FIELD) TO A SALTWATER DISPOSAL WELL IN THE DAKOTA FORMATION AT A DEPTH OF 4933-4990 FT. AN AQUIFER EXEMPTION IS BEING REQUESTED AS THE WATER IN THE INJECTION FORMATION CONTAINS LESS THAN 10,000 MG/L TOTAL DISSOLVED SOLIDS.

ORDER 51-2016

Docket No. 46-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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 an opportunity to present evidence, oral and documentary.

2. The evidence indicates that granting the application 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

The Board of Oil and Gas Conservation of the State of Montana concludes that the applicant demonstrated the requirements of ARM 36.22.1403 have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that the application of Legacy Resources Operating, LP is granted as applied for subject to stipulations on the sundry notice.

BOARD ORDER NO. 51-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE BOARD'S OWN MOTION TO REQUIRE MOUNTAIN PACIFIC GENERAL INC. TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY ITS \$50,000 PLUGGING AND RECLAMATION BOND SHOULD NOT BE INCREASED TO \$250,000 AS DIRECTED IN BOARD ORDER 1-A-2010.

ORDER 52-2016

Docket No. 59-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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. No one appeared on behalf of Mountain Pacific General Inc. (MPG).
3. Board Order 1-A-2010 was issued to increase MPG's bond to \$250,000, but the order was held in abeyance while MPG took steps to reduce its well plugging liability. MPG recently failed to plug the four wells per year as it had proposed and did not provide a required progress update to the Board.
4. Staff recommended MPG's bond increase should be reinstated for failure to continue the reduction in plugging liability and failure to provide a progress report as directed by Order 7-A-2015 issued at the Board's August 12, 2015, business meeting.
5. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that respondent has not demonstrated that the requirements of Title 82, Chapter 11, M.C.A. and A.R.M. 36.22.101, et.seq. have been met.

BOARD ORDER NO. 52-2016

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Mountain Pacific General Inc. is fined \$1,000 for not appearing at the December 15, 2016, public hearing.

IT IS FURTHER ORDERED that Mountain Pacific General Inc. immediately increase its plugging and reclamation bond to \$250,000 and pay the \$1,000 penalty for failure to appear at the December hearing.

IT IS FURTHER ORDERED that Mountain Pacific General Inc. appear at the February 2, 2017, public hearing.

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE BOARD'S OWN MOTION TO REQUIRE SEYMOUR, JAMES G. TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY ADDITIONAL PENALTIES SHOULD NOT BE IMPOSED FOR FAILURE TO FILE PRODUCTION REPORTS AND TO PAY THE ADMINISTRATIVE PENALTY ASSESSED FOR DELINQUENT REPORTING. IN ACCORDANCE WITH BOARD POLICY THE AMOUNT DUE NOW IS \$380.00. THIS DOCKET WILL BE DISMISSED IF PAYMENT AND REPORTS ARE RECEIVED PRIOR TO THE HEARING. FAILURE TO APPEAR AT THE SHOW CAUSE HEARING OR TO MAKE SUITABLE ARRANGEMENTS PRIOR TO SAID HEARING SUBJECTS SEYMOUR, JAMES G TO FURTHER PENALTIES AS PRESCRIBED BY BOARD POLICY.

ORDER 53-2016

Docket No. 60-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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 an opportunity to present evidence, oral and documentary.
2. No one appeared on behalf of Seymour, James G.
3. All delinquent production reports were received but the administrative penalty of \$380.00 was not paid prior to the hearing.
4. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that the respondent has not demonstrated that the requirements of Title 82, Chapter 11, MCA and ARM 36.22.101, et seq. have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Seymour, James G. is fined \$1,000 for failure to appear at the December 15, 2016, public hearing.

IT IS FURTHER ORDERED that Seymour, James G. is to appear at the February 2, 2017, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to pay the penalty assessed for delinquent reporting and to appear at the December 15, 2016, public hearing.

BOARD ORDER NO. 53-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist



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

UPON THE BOARD'S OWN MOTION TO REQUIRE SEYMOUR, JAMES & LORRAINE TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY ADDITIONAL PENALTIES SHOULD NOT BE IMPOSED FOR FAILURE TO FILE PRODUCTION REPORTS AND TO PAY THE ADMINISTRATIVE PENALTY ASSESSED FOR DELINQUENT REPORTING. IN ACCORDANCE WITH BOARD POLICY THE AMOUNT DUE NOW IS \$140.00. THIS DOCKET WILL BE DISMISSED IF PAYMENT AND REPORTS ARE RECEIVED PRIOR TO THE HEARING. FAILURE TO APPEAR AT THE SHOW CAUSE HEARING OR TO MAKE SUITABLE ARRANGEMENTS PRIOR TO SAID HEARING SUBJECTS SEYMOUR, JAMES & LORRAINE TO FURTHER PENALTIES AS PRESCRIBED BY BOARD POLICY.

ORDER 54-2016

Docket No. 61-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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 an opportunity to present evidence, oral and documentary.

2. No one appeared on behalf of Seymour, James and Lorraine.

3. All delinquent production reports were received but the administrative penalty of \$140.00 was not paid prior to the hearing.

3. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that the respondent has not demonstrated that the requirements of Title 82, Chapter 11, MCA and ARM 36.22.101, et seq. have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Seymour, James and Lorraine is fined \$1,000 for failure to appear at the December 15, 2016, public hearing.

IT IS FURTHER ORDERED that Seymour, James G. is to appear at the February 2, 2017, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to pay the penalty assessed for delinquent reporting and to appear at the December 15, 2016, public hearing.

BOARD ORDER NO. 54-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE BOARD'S OWN MOTION TO REQUIRE STRATEX OIL AND GAS, INC. TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY ITS PLUGGING AND RECLAMATION BOND SHOULD NOT BE FORFEITED FOR FAILURE TO BEGIN TO PLUG AND ABANDON ITS TININENKO 4-19 WELL (API # 25-085-21275) LOCATED IN THE W<sup>1</sup>/<sub>2</sub>NW<sup>1</sup>/<sub>4</sub>SW<sup>1</sup>/<sub>4</sub> OF SECTION 19, T29N-R59E, ROOSEVELT COUNTY, MONTANA AS REQUIRED BY BOARD ORDER 43-2016, IN ACCORDANCE WITH § 82-11-123(5), MCA.

ORDER 55-2016

Docket No. 62-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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. No one appeared on behalf of Stratex Oil & Gas, Inc. (Stratex).
3. Staff recommended that the plugging and reclamation bond of Stratex be forfeited for failure to begin to plug its Tininenko 4-19 well.
4. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that respondent has not demonstrated that the requirements of Title 82, Chapter 11, M.C.A. and A.R.M. 36.22.101, et.seq. have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that the plugging and reclamation bond for Stratex Oil & Gas, Inc. is hereby forfeited.

BOARD ORDER NO. 55-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE BOARD'S OWN MOTION TO REQUIRE MCMINN OPERATING COMPANY TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY ITS PLUGGING AND RECLAMATION BOND SHOULD NOT BE FORFEITED FOR FAILURE TO BEGIN TO PLUG AND ABANDON ITS RYAN RANCH LLC 1 WELL (API # 25-073-21836) LOCATED IN THE SE¼SE¼ OF SECTION 30, T30N-R6W, PONDERA COUNTY, MONTANA AS REQUIRED BY BOARD ORDER 44-2016, IN ACCORDANCE WITH § 82-11-123(5), MCA.

ORDER 56-2016

Docket No. 63-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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. No one appeared on behalf of McMinn Operating Company (McMinn).
3. Staff recommended that the plugging and reclamation bond of McMinn be forfeited for failure to begin to plug its Ryan Ranch LLC 1 well.
4. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that respondent has not demonstrated that the requirements of Title 82, Chapter 11, M.C.A. and A.R.M. 36.22.101, et.seq. have been met.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that the plugging and reclamation bond for McMinn Operating Company is hereby forfeited.

BOARD ORDER NO. 56-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist

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

UPON THE BOARD'S OWN MOTION TO REQUIRE SHADWELL RESOURCES GROUP, LLC TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY IT SHOULD NOT HAVE TO COMPLETE OR PLUG AND ABANDON THE FT. GILBERT 3 SWD WELL (API # 25-083-21074) LOCATED IN THE SW¼NE¼ OF SECTION 32, T24N-R59E, RICHLAND COUNTY, MONTANA PRIOR TO THE OCTOBER 27, 2016, PUBLIC HEARING.

ORDER 57-2016

Docket No. 48-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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 an opportunity to present evidence, oral and documentary.
2. John Lee, attorney, appeared on behalf of Shadwell Resources Group, LLC (Shadwell).
3. Shadwell was expected to plug the Ft. Gilbert 2 SWD well by the December 15, 2016, public hearing. Shadwell was unable to meet the deadline due to weather and scheduling conflicts with a contractor.
4. Staff recommended the docket be continued until the April 6, 2017, public hearing.
5. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that taking the following action is appropriate.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Docket 48-2016 is continued until the April 6, 2017, public hearing.

IT IS FURTHER ORDERED that Shadwell Resources Group, LLC is fined \$2,000 for failure to plug the Ft. Gilbert 3 SWD located in the SW¼NE¼ of Section 32, T24N-R59E, Richland County, Montana prior to the October 27, 2016, public hearing.

IT IS FURTHER ORDERED that Shadwell Resources Group, LLC plug the Ft. Gilbert 3 SWD prior to the April 6, 2017, public hearing.

BOARD ORDER NO. 57-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist



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

UPON THE BOARD'S OWN MOTION TO REQUIRE STORM CAT ENERGY (USA) OPERATING CORPORATION TO APPEAR AND SHOW CAUSE, IF ANY IT HAS, WHY IT SHOULD NOT PROVIDE A PLAN AND TIMELINE FOR THE PLUGGING AND ABANDONMENT OR TRANSFER OF ITS THREE WELLS AND WHY ADDITIONAL PENALTIES SHOULD NOT BE ASSESSED FOR FAILURE TO PAY THE OUTSTANDING FINE OF \$1,340, AND APPEAR AT THE AUGUST 11, 2016 PUBLIC HEARING.

ORDER 58-2016

Docket No. 49-2016

Report of the Board

The above entitled cause came on regularly for hearing on December 15, 2016, 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. 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, 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. Chris Naro, chief financial officer for Storm Cat Energy (USA) Operating Corporation (Storm Cat) parent company Battalion Resources, appeared on behalf of Storm Cat.
3. Storm Cat has filed delinquent production reports but has not paid the outstanding fine in the amount of \$1,340.
4. The bankruptcy sale closing date to Summit Gas Resources (Summit) has been delayed to February 2017.
5. Storm Cat will transfer the MT State 9-42 36-06CK and the Remington 10-43 05-07CK wells to Summit and the Porter 10-43 06-06CK well to the mineral and surface owner, Bruce Porter, for use as a water well.
6. 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

The Board of Oil and Gas Conservation of the State of Montana concludes that taking the following action is appropriate.

Order

IT IS THEREFORE ORDERED by the Board of Oil and Gas Conservation of the State of Montana that Docket 49-2016 is continued until the February 2, 2017, public hearing.

BOARD ORDER NO. 58-2016

Done and performed by the Board of Oil and Gas Conservation of the State of Montana at Billings, Montana, this 15<sup>th</sup> day of December, 2016.

BOARD OF OIL AND GAS CONSERVATION  
OF THE STATE OF MONTANA

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Linda Nelson, Chairman

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Wayne Smith, Vice-Chairman

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Steven Durrett, Board Member

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Ronald S. Efta, Board Member

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Paul Gatzemeier, Board Member

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Peggy Ames Nerud, Board Member

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Corey Welter, Board Member

ATTEST:

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Jennifer Rath, Program Specialist