

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION
BILLINGS, MONTANA
July 8 and 9, 2009

CONSERVATION AND PREVENTION)
OF WASTE OF OIL AND GAS)

NOTICE OF PUBLIC HEARING

The Board of Oil and Gas Conservation will hold its regular business meeting at 2:00 p.m., Wednesday, July 8, 2009, in the conference room of the Petroleum Club on the 22nd floor of the Crowne Plaza in Billings, Montana. The agenda for that meeting is:

1. Call to order
2. Approval of minutes of May 27, 2009 business meeting
3. Opportunity for public comment
4. Bond report
5. Financial report
6. Default docket
7. Staff reports
8. Other business

The Board will conduct public hearings pursuant to Chapter 11 of Title 82 of the Montana Code Annotated on the matters described below beginning at 8:00 a.m. Thursday, July 9, 2009, in the conference room of the Petroleum Club on the 22nd floor of the Crowne Plaza in Billings, Montana. For more information or to request accommodation for a disability, please contact Terri Perrigo at (406) 444-6970 or Tom Richmond at (406) 656-0040 as soon as possible before the scheduled hearing.

Docket 76-2009

APPLICANT: XTO ENERGY INC. – RICHLAND COUNTY, MONTANA

Upon the application of **XTO Energy Inc.** to pool all interests in the spacing unit comprised of all of Sections 25 and 26, T22N-R58E, Richland County, Montana for production of Bakken Formation oil and associated natural gas from the Hartland #14X-26 well, and to authorize recovery of non-consent penalties as authorized in Section 82-11-202 (2), MCA.

Docket 77-2009

APPLICANT: XTO ENERGY INC. – RICHLAND COUNTY, MONTANA

Upon the application of **XTO Energy Inc.** to pool all interests in the spacing unit comprised of all of Sections 31 and 32, T22N-R59E, Richland County, Montana for production of Bakken Formation oil and associated natural gas from the Joe G. # 44X-25 well, and to authorize recovery of non-consent penalties as authorized in Section 82-11-202 (2), MCA.

Docket 78-2009

APPLICANT: ZENERGY, INC. - ROOSEVELT COUNTY, MONTANA

Upon the application of **Zenergy, Inc.** to create a field and permanent spacing unit comprised of all of Section 7, T27N-R59E, Roosevelt County, Montana for production of oil and associated natural gas from the Bakken Formation.

Docket 79-2009

APPLICANT: ZENERGY, INC. - ROOSEVELT COUNTY, MONTANA

Upon the application of **Zenergy, Inc.** to create a field and permanent spacing unit comprised of all of Section 15, T27N-R59E, Roosevelt County, Montana for production of oil and associated natural gas from the Bakken Formation.

Docket 80-2009

APPLICANT: BURLINGTON RESOURCES OIL & GAS COMPANY LP -RICHLAND COUNTY, MONTANA

Upon the protest of Continental Resources, Inc. to the applications of **BURLINGTON RESOURCES OIL & GAS COMPANY LP** to drill the following horizontal Bakken Formation test wells at the following locations in Richland County, Montana:

- 1) the Square Top 21-4H 43 well with a proposed surface location 325' FNL and 1650' FWL of Section 4, T24N-R53E, and a proposed bottom hole location 738' FSL and 394' FEL of Section 8, T24N-R53E;
- 2) the Red Giant 31-30H 53 well with a proposed surface location 540' FNL and 340' FEL of Section 30, T25N-R53E, and a proposed bottom hole location 738' FSL and 500' FEL of Section 31, T25N-R53E.
- 3) the Top Hand 41-25H 52 well at a proposed surface location 298' FSL and 440' FEL of Section 36, T25N-R52E, and a proposed bottom hole location 710' FNL and 460' FEL of Section 25, T25N-R52E; and
- 4) the War Horse 41-29H 53 well at a proposed surface location 305' FNL and 540' FEL of Section 29, T25N-R53E, and a proposed bottom hole location 773' FSL and 490' FEL of Section 32, T25N-R53E.

Docket 81-2009

APPLICANT: PETRO-HUNT, L.L.C. – RICHLAND COUNTY, MONTANA

Upon the application of **Petro-Hunt, L.L.C.** to certify the Rehbein # 18B-2-1H well (API # 25-083-22481) located in Section 18, T23N-R55E, Richland County, Montana, as a horizontally recompleted well entitled to applicable severance tax reductions through the Montana Department of Revenue and to approve the production decline rate to be used in the calculation of incremental production.

Docket 82-2009

APPLICANT: PETRO-HUNT, L.L.C. – RICHLAND COUNTY, MONTANA

Upon the application of **Petro-Hunt, L.L.C.** to certify the Rockford # 26A-2-1H well (API # 25-083-21940) located in Section 26, T23N-R53E, Richland County, Montana, as a horizontally recompleted well entitled to applicable severance tax reductions through the Montana Department of Revenue and to approve the production decline rate to be used in the calculation of incremental production.

Docket 83-2009

APPLICANT: ENERPLUS RESOURCES (USA) CORP. - RICHLAND COUNTY, MONTANA

Upon the application of **Enerplus Resources (USA) Corporation.** to convert the RR Lone Tree Edna 1-13 well (API # 25-083-22695) located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 1, T23N-R56E, Richland County, Montana, to a Class II injection well in the Muddy, Upper Dakota, and Lower Dakota Formations at a depth of approximately 5216-5874 feet. An aquifer exemption is being requested as part of the application, as water in the proposed injection zone contains less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the Default Docket.

Docket 84-2009

APPLICANT: MONTANA LAND & EXPLORATION, INC. - BLAINE COUNTY, MONTANA

Upon the application of **Montana Land & Exploration, Inc.** to pool all interests in the permanent spacing unit comprised of Lots 1, 2, 3, & 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (all) of Section 19, T31N-R24E, Blaine County, Montana, on the basis of surface acreage participation, for production of Eagle Formation natural gas from the ML&E Stephens White Bear 10-19 and 10B-19 wells.

Docket 85-2009

APPLICANT: MONTANA LAND & EXPLORATION, INC. - BLAINE COUNTY, MONTANA

Upon the application of **Montana Land & Exploration, Inc.** to pool all interests in the permanent spacing unit comprised of the SE $\frac{1}{4}$ of Section 19, the SW $\frac{1}{4}$ of Section 20, the NW $\frac{1}{4}$ of Section 29 and the NE $\frac{1}{4}$ of Section 30, T31N-R24E, Blaine County, Montana, on the basis of surface acreage participation, for production of Eagle Formation natural gas from the ML&E Stephens White Bear 1-30 well.

Docket 86-2009

APPLICANT: PINNACLE GAS RESOURCES, INC. - ROSEBUD COUNTY, MONTANA

Upon the application of **Pinnacle Gas Resources, Inc.** to approve its Hosford Plan of Development (POD), which will be submitted to staff prior to the hearing, for coal bed natural gas exploration and development upon the following lands in Rosebud County, Montana:

Township 7S- Range 41E

- Section 21: S $\frac{1}{2}$
- Section 22: W $\frac{1}{2}$
- Section 27: All
- Section 28: All
- Section 33: All

Docket 87-2009

APPLICANT: PINNACLE GAS RESOURCES, INC. - ROSEBUD COUNTY, MONTANA

Upon the application of **Pinnacle Gas Resources, Inc.** to delineate the following described lands in Rosebud County, Montana, as a field for production of coal bed natural gas from all coal bed zones from the surface to the base of the Fort Union Formation; to establish field rules providing for 80-acre spacing unit with 220-foot setbacks from the section lines; and to authorize the commingling of gas produced from different coal beds in the wellbore.

Township 7S-Range 41E

Section 21: S½
Section 22: W½
Section 27: All
Section 28: All
Section 33: All

Docket 88-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** to drill the IOFINJ #34-12-27 well located in the center of the NE¼ of Section 27, T34N, R12E, Hill County, Montana, as a Class II injection well in the Virgelle Formation at a depth of approximately 1100 feet. An aquifer exemption is being requested as part of the application, as water in the proposed injection zone contains less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the Default Docket.

Docket 89-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** to drill the IOFINJ #34-12-34 well located in the center of the NE¼ of Section 34, T34N, R12E, Hill County, Montana, as a Class II injection well in the Virgelle Formation at a depth of approximately 1100 feet. An aquifer exemption is being requested as part of the application, as water in the proposed injection zone contains less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the Default Docket.

Docket 90-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** to establish 160-acre temporary spacing units with a 660-foot setback from spacing unit boundaries for the exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations upon the following described lands in Hill County, Montana. Applicant requests placement on the Default Docket.

Township 34N-R12E

Section 22: All
Section 26: W½
Section 27: All
Section 33: All
Section 34: All

Township 33N-R12E

Section 11: All

Applicant stipulates that none of the requested additional wells located in the N½ of said Section 22, T34N-R12E will penetrate the structural feature spaced by Board Order 269-2005.

Docket 91-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established spacing unit comprised of all of Section 28, T34N-R12E, Hill County, Montana, with 660-foot setbacks from quarter section boundaries, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations, as an exception to A.R.M. 36.22.702. Applicant also requests that Board Order 270-2005 be vacated. Applicant requests placement on the Default Docket.

Docket 92-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established spacing unit comprised of all of Section 21, T34N-R12E, Hill County, Montana, with 660-foot setbacks from quarter section boundaries, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations, as an exception to A.R.M. 36.22.702. Applicant also requests that Board Order 270-2005 be vacated. Applicant requests placement on the Default Docket.

Docket 93-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established temporary spacing unit comprised of all of Section 16, T34N-R12E, Hill County, Montana, with 660-foot setbacks from quarter section boundaries, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations, as an exception to A.R.M. 36.22.702. Applicant requests placement on the Default Docket.

Docket 94-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established temporary spacing unit comprised of all of Section 14, T34N-R12E, Hill County, Montana, with 660-foot setbacks from quarter section boundaries, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations, as an exception to A.R.M. 36.22.702. Applicant also requests that Board Order 342-2004 be vacated. Applicant requests placement on the Default Docket.

Docket 95-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established temporary spacing unit comprised of all of Section 15, T34N-R12E, Hill County, Montana, with 660-foot setbacks from quarter section boundaries, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations, as an exception to A.R.M. 36.22.702. Applicant stipulates that none of the additional wells in the S½ of Section 15 shall penetrate the feature spaced by Board Order 269-2005. Applicant requests placement on the Default Docket.

Docket 96-2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** for authority to drill up to one producing gas well per quarter section in the already-established temporary spacing unit comprised of all of Section 10, T33N-R12E, Hill County, Montana, for exploration and production of natural gas from the Eagle, Virgelle and Telegraph Creek Formations as an exception to A.R.M. 36.22.702. Applicant requests placement on the Default Docket.

Docket 350-2008

Continued from October 2008

APPLICANT: DEVON ENERGY PRODUCTION COMPANY, L.P. - BLAINE COUNTY, MONTANA

Upon the application of **Devon Energy Production Company, L.P.** to create a temporary spacing unit comprised of the S½ of Section 25 and the N½ of Section 36, T27N-R19E, Blaine County, Montana, to drill a Judith River/Eagle Formation gas well (the State # 25-14-27-19) at a location approximately 800' FSL and 2500' FWL of said Section 25, with a 200-foot topographic tolerance, as an exception to A.R.M. 36.22.702. Applicant states it will apply for permanent spacing within 90 days of successful completion. Applicant placement on the Default Docket.

Docket 425-2008
Continued from December 2008

APPLICANT: CRUSADER ENERGY GROUP, LLC – RICHLAND COUNTY, MONTANA

Upon the application of **Crusader Energy Group, LLC** to pool all interests in Lots 1, 2, 3, 4, S½N½, S½ (all) of Section 4, T21N-R59E, Richland County, Montana, on the basis of surface acreage for production from the Bakken Formation from the Flames 1H-4 well and to authorize recovery of non-joinder penalties in accordance with Section 82-11-202(2), M.C.A.

Docket 26-2009
Continued from April 2009

APPLICANT: CHAPARRAL ENERGY, L.L.C. - RICHLAND COUNTY, MONTANA

Upon the application of **Chaparral Energy, L.L.C.** to drill an additional horizontal Bakken Formation well (the McVay # 3-34H) for production of oil and associated natural gas in the permanent spacing unit comprised of all of Section 34, T25N-R55E, Richland County, Montana, said well to be located anywhere within said spacing unit but not closer than 660 feet to the boundaries thereof. Applicant requests placement on the Default Docket.

Docket 27-2009
Continued from April 2009

APPLICANT: CHAPARRAL ENERGY, L.L.C. - RICHLAND COUNTY, MONTANA

Upon the application of **Chaparral Energy, L.L.C.** to drill an additional horizontal Bakken Formation well (the McVay # 4-34H) for production of oil and associated natural gas in the permanent spacing unit comprised of all of Section 34, T25N-R55E, Richland County, Montana, said well to be located anywhere within said spacing unit but not closer than 660 feet to the boundaries thereof. Applicant requests placement on the Default Docket.

Docket 31-2009
Continued from April 2009

APPLICANT: CRUSADER ENERGY GROUP, LLC - RICHLAND COUNTY, MONTANA

Upon the application of **Crusader Energy Group, LLC** to create a permanent spacing unit comprised of all of Section 10, T21N-R59E, Richland County, Montana, for production of oil and associated natural gas from the Bakken/Three Forks Formations, and to designate applicant's Oilers 1H-10 well as the authorized well for said spacing unit.

Docket 32-2009
Continued from April 2009

APPLICANT: CONTINENTAL RESOURCES, INC. - RICHLAND COUNTY, MONTANA

Upon the application of **Continental Resources, Inc.** to pool all interests in the permanent spacing unit comprised of Section 4, T23N-R55E, and Section 33, T24N-R55E, Richland County, Montana, on a surface acreage participation basis, for production of oil and associated natural gas from the Bakken Formation from the Dorothy 2-4H well. Applicant also requests imposition of non-joinder penalties in accordance with Section 82-11-202(2), M.C.A.

Docket 33-2009
Continued from April 2009

APPLICANT: CONTINENTAL RESOURCES, INC. - RICHLAND COUNTY, MONTANA

Upon the application of **Continental Resources, Inc.** to pool all interests in the permanent spacing unit comprised of Section 4, T23N-R55E, and Section 33, T24N-R55E, Richland County, Montana, on a surface acreage participation basis, for production of oil and associated natural gas from the Bakken Formation from the Dorothy 3-33H well. Applicant also requests imposition of non-joinder penalties in accordance with Section 82-11-202(2), M.C.A.

Docket 34-2009
Continued from April 2009

APPLICANT: CONTINENTAL RESOURCES, INC. - RICHLAND COUNTY, MONTANA

Upon the application of **Continental Resources, Inc.** to pool all interests in the permanent spacing unit comprised of Sections 8 and 17, T23N-R56E, Richland County, Montana, on a surface acreage participation basis, for production of oil and associated natural gas from the Bakken Formation from the Stoney Butte Farms 2-8H well. Applicant also requests imposition of non-joinder penalties in accordance with Section 82-11-202(2), M.C.A.

Docket 35-2009
Continued from April 2009

APPLICANT: CONTINENTAL RESOURCES, INC. - RICHLAND COUNTY, MONTANA

Upon the application of **Continental Resources, Inc.** to pool all interests in the permanent spacing unit comprised of Sections 8 and 17, T23N-R56E, Richland County, Montana, on a surface acreage participation basis, for production of oil and associated natural gas from the Bakken Formation from the Stoney Butte Farms 3-17H well. Applicant also requests imposition of non-joinder penalties in accordance with Section 82-11-202(2), M.C.A.

Docket 55-2009
Continued from May 2009

APPLICANT: BAYSWATER EXPLORATION AND PRODUCTION, LLC - STILLWATER COUNTY, MONTANA

Upon the application of **Bayswater Exploration and Production, LLC**, to drill an Eagle and Virgelle Formation gas well in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 10, T2N-R20E, Rapelje Field, Stillwater County, Montana, at a location 1980' FSL and 660' FWL of said section as an exception to A.R.M. 36.22.702. Applicant requests placement on the Default Docket.

Docket 57-2009
Continued from May 2009

APPLICANT: ALTAMONT OIL & GAS, INC. - PONDERA COUNTY, MONTANA

Upon the application of **Altamont Oil & Gas, Inc.**, to convert the Jody Field 34-2 well (API #25-073-21838) in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34, T29N-R6W, Pondera County, Montana, (East Crocker Springs Field) to a saltwater injection well in the Madison/Sun River Formation at a depth of approximately 3418 feet. An aquifer exemption is being requested as part of the application, as water in the proposed injection zone contains less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the Default Docket.

Docket 75-2009
Continued from May 2009

APPLICANT: IOFINA NATURAL GAS, INC. – HILL COUNTY, MONTANA

Upon the application of **Iofina Natural Gas, Inc.** to drill the IOFINJ #34-12-15 well located in the center of the SE¼ of Section 15, T34N-R12E, Hill County, Montana, as a Class II injection well in the Virgelle Formation at a depth of approximately 1050-1150 feet. An aquifer exemption is being requested as part of the application, as water in the proposed injection zone contains less than 10,000 mg/l total dissolved solids. Staff notes this application is eligible for placement on the Default Docket.

Docket 97-2009
SHOW-CAUSE HEARING

RESPONDENT: NATIVE AMERICAN ENERGY GROUP, INC. – McCONE AND VALLEY COUNTIES, MONTANA

Upon the Board's own motion to require **Native American Energy Group, Inc.** to appear and show cause, if any it has, why its pending change of operator request should not be approved or why other penalties should not be assessed for its failure to clean up wellsites at the following wells being requested for takeover: the S Wright 5-35 well (API # 25-055-05204) in Prairie Elk Field in McCone County and the Sandvick 1-11 well (API # 25-105-21278) in North Lustre Field in Valley County, Montana.

Docket 98-2009
SHOW-CAUSE HEARING

RESPONDENT: HAWLEY HYDROCARBONS – PONDERA COUNTY, MONTANA

Upon the Board's own motion to require **Hawley Hydrocarbons** to appear and show cause, if any it has, why its bond should not be forfeited, its production shut-in, and/or other penalties assessed for failure to clean up the oil and water spill at the Copley-Haber lease located in Section 9, T27N-R4W, Pondera County, Montana.

BOARD OF OIL AND GAS CONSERVATION

Terri H. Perrigo
Executive Secretary