

AUGUST 24, 2016, MEETING MINUTES
BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
IN AND FOR THE STATE OF UTAH



A public meeting was held on Wednesday, August 24, 2016, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The meeting was streamed live on the Department of Natural Resources YouTube channel. The link for the Briefing Session is <https://youtu.be/JT6ifddYNKs>, and the link for the Board Hearing is <https://youtu.be/p6HZrvmEPos>.

On Thursday, August 25, 2016, the Board toured oil and gas sites in Summit County. The public was invited to attend but must provide their own transportation and lunch. The Board departed from the north parking lot of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, at 7:30 a.m.

ATTENDEES:

Board of Oil, Gas, and Mining:

Ruland J. Gill, Jr, Chairman
Richard K. Borden
Michael R. Brown
Susan S. Davis
Chris D. Hansen
Carl F. Kendell
Gordon L. Moon

Hollie Brown, Public Information Officer
Julie Ann Carter, Board Secretary
Paul Baker, Minerals Program Manager
Brad Hill, Permit Mgr., Oil and Gas Program
Dustin Doucet, Petroleum Engineer, Oil and Gas Program
Josh Payne, Oil and Gas Program
Randy Thackeray, Oil & Gas Program
Bart Kettle, Oil & Gas Program

Utah Attorney General's Office, Natural Resources Division:

Michael S. Johnson, AAG, representing the Board
Steven F. Alder, AAG, representing the Division
Melissa L. Reynolds, AAG, O'Hara Scholar, representing the Division
Meg Oswald, O'Hara Scholar

Montezuma Well Service
Melvin Capitan, Manager

School and Institutional Trust Lands Administration

Chris Fausett, Trust Lands Resource Specialist
Sonja F. Wallace, Environmental Compliance Manager

Division of Oil, Gas and Mining:

John R. Baza, Division Director - Excused
Dana Dean, Assoc. Director, Mining Program
John Rogers, Assoc. Director, Oil and Gas Program
Steve L. Schneider, Admin. Policy Coordinator

Kinder Morgan
Steve Styler

Western Energy Alliance
Lowell Braxton

Utah Petroleum Association
Lee Peacock

BRIEFING SESSION:

The Chairman, Ruland J. Gill, Jr., called the meeting to order at 9:00 a.m. Mr. Steven L. Schneider, Administrative Policy Coordinator, Dana Dean, Associate Director Mining, and John C. Rogers, Associate Director Oil and Gas, jointly conducted the Briefing Session.

1. Minerals Program Enforcement Update

Mr. Paul Baker, Minerals Program Manager, updated the Board on Minerals Program enforcement activities required by Utah Administrative Code Title R647 and Utah Code Title 40. The primary focus of the Mining Program is to insure that financial assurance is procured for reclamation bonds, which are to be used in the event that an operator does not reclaim mine disturbances. The Mining Program is key to protecting public health and safety by insuring that mining operators are compliant with Utah State Law.

2. Status of Informal Rulemaking for Oil & Gas Program:

- R649-3-32 Reporting of Undesirable Events

Mr. Steve Schneider, Administrative Policy Coordinator, updated the Board on the status of formal rulemaking for R649-3-32, Reporting of Undesirable Events. The Division is ready to commence formal rulemaking of the proposed rule, provided there are no objections. Comments were taken from Mr. Steve Styler on behalf of Kinder Morgan; Lowell Braxton, representing Western Energy Alliance; and Lee Peacock of Utah Petroleum Association. All are in support of proceeding with formal rule making. The Board is in support of proceeding with formal rulemaking. The Division will proceed with formal rule making procedures.

3. Administrative Rules Due for 5-Year Renewal:

- Admin: R642-100
- AMR: R643-870, 872, 874, 875, 877, 879, 882, 884, 886
- Coal: R645-100, 103, 200, 201, 202, 203, 300, 301, 302, 303, 402, 403
- Oil & Gas: R649-1, 2, 3, 5, 8, 9

Mr. Steve Schneider, Administrative Policy Coordinator, updated the Board on the status of Administrative Rules Due for 5-Year Renewal. Mr. Schneider requested approval from the Board to proceed with renewing the rules. The Board granted Mr. Schneider's request.

4. Other

- Introduction of Meg Oswald, O'Hara Fellowship Scholar.
- August 30 Meeting to discuss budget funding for the Oil and Gas Program

5. Next Month's Agenda and Division Calendar

- The next Board meeting is on September 28, 2016.
- The Board field trip is on August 25, 2016.
- Energy Conference in September.
- DNR Annual lunch is on Monday, August 29.

6. Opportunity for Public Comment

The Chairman opened the meeting for public comment. Seeing none, the briefing session adjourned at 9:55 a.m.

FORMAL AGENDA

The Chairman, Ruland J. Gill, Jr., called the formal session of the Board of Oil Gas and Mining hearing to order at 10:00 a.m. The Board Heard the following matters:

Please note: Transcripts of the formal items will be available for review at the Division offices approximately fifteen business days after the hearing date. Copies of individual transcripts may be purchased from Alpine Court Reporting, 243 East 400 South, Suite 101B, Salt Lake City, Utah 84111, ph.: 801-691-1000.

1. [Docket No. 2009-015 Cause No. WD-04-2009](#) – In the Matter of the Request for Agency Action of Utah Division of Oil, Gas, and Mining for a Cessation Order and Civil Penalties Against Montezuma Well Service, Inc., and Earl Martinez, Owner and Operator of the Montezuma Creek Waste Disposal Facility Section 14, T 40 So., R. 22 East, San Juan County, Utah.

(This matter was continued from the August 26, 2015, Board hearing. The Division will report on Montezuma's efforts to address clean-up issues.)

Time: 10:00 a.m. – 10:53 a.m.

Board Members present – Ruland J Gill, Jr., Chairman, Michael R. Brown, Richard K. Borden, SusanS. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board – Michael S. Johnson, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Counsel for the Division – Steven F. Alder, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Witnesses: Bart Kettle, and Brad Hill.

On Behalf of Montezuma Well Service – Melvin Capitan, Manager.

On Behalf of School and Institutional Trust Lands Administration – Chris Faucett.

The Division reported on the history of the permit, bonding levels, and reclamation activities for the Montezuma Creek Waste Disposal Facility. Mr. Melvin Capitan, Manager of Montezuma Well Service, Inc., also reported on reclamation activities performed during the year. The Division recommends continuing the matter for one year, requiring annual soil sampling of all the land farm cells, and quarterly working the land farm cells. SITLA supports the Division's recommendations.

The Board approved the Division's recommendations by unanimous vote. Mr. Ruland J Gill, Jr., Chairman, Mr. Michael R. Brown, Mr. Richard K. Borden, Ms. Susan S. Davis, Mr. Chris D. Hansen, Mr. Carl F. Kendell, and Mr. Gordon L. Moon were present to participate at the hearing and vote on the matter. Mr. Steven S. Alder will prepare the order.

2. [Docket No. 2016-007 Cause No. 131-143](#) – In the matter of the Request for Agency Action of SUN-WEST OIL & GAS, INC. for an Investigation and Negotiation Conference regarding allegations of non-payment of proceeds of production from the Nielson 1-20B1 Well in Section 20, Township 2 South, Range 1 West, USM, Duchesne County, Utah, Craig Phillips dba Uinta Oil & Gas, Mountain Oil, Inc. and Homeland Gas and Oil, Inc.; and

[Docket No. 2016-008 Cause No. 131-144](#) – In the matter of the Request for Agency Action of SUN-WEST OIL & GAS, INC. for an Investigation and Negotiation Conference regarding allegations of breach of operating agreement for the Nielson 1-20B1 Well in Section 20, Township 2 South, Range 1 West, USM, Duchesne County, Utah, by Respondent, Craig Phillips dba Uinta Oil & Gas, Mountain Oil, Inc. and Homeland Gas and Oil, Inc.

(This matter was continued from the July 27, 2016, Board hearing. The Division will report to the Board on the results of the investigation and negotiation of this matter.)

Time: 10:53 a.m. to 11:27 a.m.

Board Members present – Ruland J Gill, Jr., Chairman, Michael R. Brown, Richard K. Borden, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board – Michael S. Johnson, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Counsel for the Division – Steven F. Alder, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Witness: Randy Thackeray, Josh Payne.

Counsel for the Petitioner – Chase Hansen, Esq., Nelson Spear, Spear Brothers Group, Attorneys for Sun West Oil & Gas, Inc. Not Present.

Counsel for the Respondent, – Daniel S. Sam, Esq., Sam & Reynolds P.C., Attorney for Craig Phillips dba Uinta Oil & Gas, Mountain Oil, Inc. and Homeland Gas and Oil, Inc. Not Present.

The Board ruled that both the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining, have exhausted their administrative remedies for these parties, and the Board declines to have a hearing.

Mr. Ruland J Gill, Jr., Chairman, Mr. Michael R. Brown, Mr. Richard K. Borden, Ms. Susan S. Davis, Mr. Chris D. Hansen, Mr. Carl F. Kendell, and Mr. Gordon L. Moon were present to participate at the hearing and vote on the matter. Mr. Steven S. Alder will prepare the order.

3. [Docket No. 2016-015 Cause No. 131-147](#) – In the matter of the Request for Agency Action of CRESCENT POINT ENERGY U.S. CORPORATION for approval of enhanced and secondary recovery operations in the Lower Green River and Green River-Wasatch Formations in Section 17, Township 3 South, Range 1, East, U.S.M., Uintah County, Utah, for authority for underground injection of water, and certification as an enhanced recovery project.

(This matter was continued from the July 27, 2016, Board hearing.)

This matter has been dismissed without prejudice.

4. [Docket No. 2016-016 Cause No. 222-17](#) – In the matter of the Notice of Agency Action for an Order forfeiting a surety bond provided by PATMOS ENERGY, LLC and authorizing the Division to plug and reclaim three wells located in Sections 7 and 17, Township 14 South, Range 14 East and in Section 14, Township 15 South, Range 14 East, in Carbon County, Utah.

(This matter was continued from the July 27, 2016, Board hearing.)

This matter has been continued to the regularly scheduled Board hearing on September 28, 2016.

The meeting adjourned at 11:29 a.m.