MINUTES OF THE MEETING
NATURAL RESOURCES
MONTANA STATE SENATE

February 20, 1979

The seventeenth meeting of the Natural Resources Committee, a joint hearing with the House Natural Resources Committee, was called to order by Representative Arthur Shelden, Chairman of the House Natural Resources Committee at 10:15 A.M., on the above date in the Old Highway Building Auditorium.

ROLL CALL: Senator Roskie, Chairman of the Senate Natural Resources Committee requested that roll be called for the Senate Committee. Upon roll call all members were present with the exception of Senators Dover, Brown, Jergeson, Lowe and Story. Senator Brown arrived late and attended part of the hearing before having to leave again. Representative Shelden then asked the Committee Secretary for the House Natural Resources Committee to call the roll for the Representatives.

Representative Shelden then introduced Senator Roskie to the visitors and informed those in attendance that both the proponents and opponents would be allowed about an hour to testify. See attached visitors' register for names of visitors present.

CONSIDERATION OF HB 792: "An act to establish compensation for the surface owner due to the damage to the surface and interference with the use of the surface arising from oil and gas drilling and production; and providing an effective date."

Representative Shelden called on Representative William Day, District 54, to present HB 792 to the Committees. Representative Day informed the Committees that Senator Thiessen had agreed to be the co-sponsor of HB 792 but had been out of state at the time of its drafting so that was why his name was not on it. Representative Day said he had requested a suspension of the rules so that Senator Thiessen could be considered the co-sponsor of HB 792. Representative Day said that HB 792 addresses a problem that is long overdue and then he called on Senator Thiessen to comment further on HB 792. Senator Cornie Thiessen, District 27, said that HB 792 is a matter of providing some compensation for the ills people have suffered as a result of oil and gas drilling and production for the past several years.

Representative Oscar Kvaalen, District 53, also spoke in support of HB 792.

Representative Day then called on Mr. Zack Stevens, Montana Farm Bureau, to speak in behalf of HB 792. Mr. Stevens said he supported HB 792 and called on Mr. Sherrill Henderson to speak in behalf of HB 792.

Mr. Henderson, a rancher from the Sidney area, stated that he supported HB 792. He said the young people today need some type

of protection when they buy a ranch to operate the land, because they are unable to make a living on the land when the oil wells come in.

Ms. Vera Henderson spoke in support of HB 792 and said she did not feel the present program of oil production was fair to the landowner. She said one compensation payment is made initially at the time of digging the well and then no further compensation is made.

Mr. Norman Nelson, President of the Northeastern Montana Land and Mineral Owner's Association, spoke in favor of HB 792 and submitted written testimony (see attachment) along with some additional information.

Mr. Dennis Wick spoke in support of HB 792 and submitted written testimony (see attachment) along with some additional information.

Mr. Hugo Asbeck, Fairview, Montana, spoke in support of HB 792 and submitted written testimony (see attachment) along with some additional information.

Mr. Russ Denowh, Sidney, spoke in support of HB 792 and submitted his comments in written form (see attachment).

Mr. Ray franz, Sidney, spoke in support of HB 792 and submitted his comments in written form along with some additional information (see attachments).

Mr. Sam Ritter, Sidney, spoke in support of HB 792 because he anticipated some drilling on his property and was concerned about what the outcome of that would be.

Mr. Carl Dynneson, Sidney, spoke in support of HB 792. Mr. Dynneson stated that he now has 11 drilling sites on his land and 17 pipelines for a total of 65 acres that are now unproductive, part of which was a good hay meadow that he can no longer harvest because of the pipeline that crosses it. He also said that he had an 1800 acre pasture that he was forced to remove his cattle from because it had been polluted by oil spills. He said there has been no re-seeding around the drilling sites as was stated in the contract with the company. For these reasons he feels it is high time he received some compensation from the oil companies.

Mr. Stan Morlowski, Sidney, Montana, also spoke in support of HB 792 and submitted his comments in written form (see attachment).

Mr. Ray Smart, Sidney, spoke in support of HB 792. He said he now has two sites and two roads on his place with no compensation for any of it.

Mr. David McMillan, Sidney, spoke in support of HB 792, and submitted his comments in written form (see attachment).

Mr. J. Kermit Peterson, Sidney, spoke in support of HB 792 and submitted his comments in written form (see attachment).

Ms. Charlotte Edwards, Broadus, representing the Powder River County Farm Bureau, spoke in support of HB 792.

Mr. Pat Smith, Northern Plains Resource Council and their 10 affiliated organizations, spoke in support of HB 792 and said he felt it was certainly a step in the right direction.

Mr. John Redman, Smith Creek Coop--State Grazing Land, also spoke in support of HB 792 and stated that it was discussed at their annual meeting and they were all in support of it.

Representative Shelden then called for any opponents to HB 792.

Mr. Don Allen, Montana Petroleum Association, spoke in opposition to HB 792 and submitted his statements in written form (see attachment).

Mr. Richard Beatty, attorney, spoke in opposition to HB 792. Mr. Beatty said he has represented both independent oil operators and farmers and ranchers and doesn't feel this legislation is the answer for either side. He said this bill would affect a lot of well established laws and will take away the right of the farmers and ranchers to contract for damages and compensation.

Mr. James Haughey, attorney, also spoke in opposition to HB 792. Mr. Haughey said he was convinced this legislation was unconstitutional, but is also basically unfair and wrong. He also pointed out that Montana has imposed the highest taxes on oil production of any state, and if the 2 1/2% is imposed it will practically eliminate oil production in Montana.

Mr. Clyde Logan, attorney for Sam Gary, an independent oil producer in Bell Creek, spoke in opposition to HB 792. Mr. Logan stated that approximately 70% of the oil in Bell Creek is still in place. He said that in order to recover that oil it would have to be done by a tertiary recovery project which is very expensive. He said if another 2 1/2% were added on top, the tertiary recovery projects would not be done at Bill Creek. He then pointed out what would be lost to the state of Montana in tax revenues if these oil production projects were not undertaken.

Mr. Raymond Peete, attorney for Charles W. Austin, Brownlie, Wallace, Armstrong and Bander and Robert Nance and Associates,

independent oil producers out of Denver, also spoke in opposition to HB 792. Mr. Peete also pointed out the costs of tertiary recovery projects and the revenues that would be lost to the state if oil production projects have to be curtailed as a result of the 2 1/2%. He then gave some examples of how compensation has been given to some landowners he has represented.

Mr. Bill Vaughey Jr., attorney representing a small natural gas producer from Havre, also spoke in opposition to HB 792. He gave some examples related to Tri-Central Wells and how they have handled compensation to farmers and ranchers. Mr. Vaughey said that damages were assessed over a period of years and the producer would pay the farmer for the damages during that period of time. He also stated that this bill would be a deterent to exploration in Montana.

Mr. Kneelon Teague, an independent consulting geologist, spoke in opposition to HB 792 and he said he felt the problems expressed thus far during the hearing were peculiar to the Sidney area. He also pointed out that most of the problems expressed were from people who do not own the minerals and that some of them have been integrated and solved in the courts. He also pointed out that less than 1/2 of 1% of the land in Montana is oil producing.

Mr. David Woodgerd, Department of State Lands, submitted the written testimony of Mr. Leo Berry, Department of State Lands, which was in opposition to HB 792.

There being no other opponents to SB 792, Representative Shelden opened the hearing to questions from the Committee, and several questions were directed to several of the attorneys regarding the legal rights of an individual who owns the land but not the mineral rights.

Representative Shelden stated that the problem appears to begin with the right of entry. He felt that maybe the ideal solution would be a negotiated lease of some kind between the surface owner and oil driller, and the lease would have to be signed before the right of entry could be exercised. There was response from the attorneys that such an agreement could work against the landowner as well and should be considered very carefully.

Representative Day closed by addressing some of the major points made by the opponents to HB 792. He pointed out that Mr. Allen had had plenty of time between the drafting of HB 792 and the hearing to request a fiscal note and he never mentioned the need prior to today. Mr. Day also listed some of the profits recognized by some of the oil companies and read an article from

the Shelby paper in response to Mr. Teague's comment that the problems were preculiar to the Sidney area. He then read 77-2-303 (2) from the MCA and concluded by saying he wished Mr. Berry's opposing statement would have been read for the benefit of those present.

Senator Thiessen then closed and suggested that maybe HB 792 could be amended by having the mineral owner contribute to the 2 1/2%.

ADJOURNMENT: There being no further business, the meeting adjourned at 12:20 P.M.

SENATOR GEORGE F. ROSKIE, CHAIRMAN

Date _____

ROLL CALL

Natural Resources COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
ROSKIE, George F., Chairman	✓		
DOVER, Harold L., Vice-Chairman		✓	
BROWN, Steve	✓	✓	
ETCHART, Mark	✓		
JERGESON, Greg		✓	
LOCKREM, Lloyd C., Jr.	✓		
LOWE, William R.		✓	
MANLEY, John E.	✓		
STORY, Pete		✓	
THIESSEN, Cornie R.	✓		

Each Day Attach to Minutes.

SENATE

VISITORS' REGISTER

HOUSE National Resources COMMITTEE

BILL 792 Date [illegible]

SPONSOR Day

NAME	RESIDENCE	REPRESENTING	SUPPORT
[illegible]	[illegible]	[illegible]	
Milan L. Ayers	Shelby Montana	Self	
[illegible]	[illegible]	[illegible]	X
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]			
[illegible] A. Nelson	Westby, Mt	[illegible]	X
DOUG SWAIN	Billings	self	
Hugh FORD	"	SELF	
[illegible]	Billings	self	
RICHARD L. BEATTY	SHELBY	self	
CARL FOURSTAR	OSWEGO	SELF	✓
Clyde Hogan	Denver	SAM GARY	
[illegible] Rodgers	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	[illegible]	[illegible]	✓
[illegible]	Fairview "	Self	✓
[illegible]	Sidney "	self	✓
[illegible]		[illegible]	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE _____ COMMITTEE _____

BILL _____ Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OP
Victor L. Cook	Sidney Mont	Self	✓	
David Scanlan	Sidney Mont	Self	✓	
Mark Lagman	Sidney Mont	Self	✓	
Dave Ritter	" "	Self	✓	
Ed B. Smith	Lagman Mt.	N.E. Montana Assoc + self	✓	
Guy Zogas	Sidney Mont	Self	✓	
Juanita Lemanza	Sidney Mont.	Self	✓	
Don Iverson	Fairview Mt	Self	✓	
Dennis Tindell	"	Self	✓	
Roy Kittleson	"	self	—	
Rich Bong	"	"	✓	
Pat Smith	Helena	Montana Farm Bureau Council	✓	
Glenn Anderson	Sidney	"	✓	
Marty Anderson	Sidney	"	✓	
Gabrielle Edwards	Broadus	Self	✓	
Mary Bell	Helena	self	✓	
Ellis Williams	Sidney	Self	✓	
Vera Henderson	Sidney	self		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

VISITORS' REGISTER

HOUSE _____ COMMITTEE _____

BILL _____ Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OP
Edgar R. Fisher	7140 Cayuse Engelfelder	Self	✓	
Margaret McMillan	Sidney, Mt.	"	✓	
Jerry McMillan	Sidney MT	"	✓	
Larry Tricet	Fairview, Mt	S.E. Montana Livestock Owners	✓	
Douglas J. Johnson	Sidney, Mt	Self	✓	
Dennis Wick	Sidney MT	"	✓	
J. Kermit Peterson	" ✓ "	Self	✓	
Lou Malovrh	" "	"	✓	
Robert D. Cross	"	"	✓	
R. L. Duncan	"	REMINGTON	✓	
[illegible]				

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

Form CS-34
1-79

NAME Stan Moskowitz BILL No. HB 192

ADDRESS Sidney Mt 59240 DATE 2-7-1977

WHOM DO YOU REPRESENT Myself

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Have written testimony will hand in

orm CS-34
79

NAME Carol Dynneson BILL NO. 792

ADDRESS Box 146 Shell Spring Road DATE 2/1/79

WHOM DO YOU REPRESENT Self & Neighbors

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
1-79

NAME Russell Denowh BILL NO. 792

ADDRESS ~~[illegible]~~ Sidney Mont. DATE 2-20-79

WHOM DO YOU REPRESENT Myself

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

orm CS-34
79

NAME Ellis Robertine BILL NO. [illegible]

ADDRESS Sitka, Ak DATE

WHOM DO YOU REPRESENT S.E.A.

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
-79

NAME Edgar R. Fisher BILL NO. HB 2773

ADDRESS 7140 Canyon Ridge Rd Helena, MT DATE 2-20-

WHOM DO YOU REPRESENT Self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: I do believe it is only fair that the landowner should be entitled to a 2½% royalty.

orm CS-14
79

NAME Glennon Hanson BILL No. 792

ADDRESS Box 324 Sidney Mont DATE [illegible]

WHOM DO YOU REPRESENT self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
-79

NAME [illegible] BILL No. [illegible]

ADDRESS [illegible] DATE [illegible]

WHOM DO YOU REPRESENT [illegible]

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: I am a farmer landowner and am involved with oil & gas production. I was given one time permit for drilling rite but will not compensate me for my crop losses. I believe we should have a better relationship between farmers & oil co. and also compensate all land owners.

Thank you

[illegible]

orm CS-34
79

NAME Zack Spence BILL No. [illegible]

ADDRESS Bozeman DATE [illegible]

WHOM DO YOU REPRESENT Farm Bureau

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
-79

NAME Norman A. Nelson BILL NO. 792

ADDRESS Westby, MT. 59275 DATE 2-[illegible]

WHOM DO YOU REPRESENT Northeast Montana Joint Venture [illegible]

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
79

NAME Pat Smith BILL NO. HB 792

ADDRESS Helena DATE

WHOM DO YOU REPRESENT Northern Plains Resource Council

SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME RICHARD L. [illegible]

BILL NO. HOUSE [illegible]

ADDRESS [illegible]

DATE [illegible]

WHOM DO YOU REPRESENT SELF

SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

orm CS-34
79

NAME Clyde C. Logan

BILL No. HB 792

ADDRESS 1660 Lincoln St Denver

DATE 2-20-79

WHOM DO YOU REPRESENT Sam Gary Bell Creek

SUPPORT _____ OPPOSE ✓ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-14
-79

NAME Raymond R. Peterson BILL No. HB 7[illegible]

ADDRESS 2501 4th Ave N Billings, Mt DATE 4[illegible]

WHOM DO YOU REPRESENT Chas. W. Austin, Burlington Northern, Armstrong World Industries, Robert Kaner & Assoc.

SUPPORT ____ OPPOSE ✓ AMEND ____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

orm CS-34
79

NAME W. H. VAUGHEY JR BILL NO. HB 792

ADDRESS P.O. BOX 46 HAVRE, MT. 59501 DATE 2/20/7

WHOM DO YOU REPRESENT MYSELF, AN INDEP. PET. PRODU

SUPPORT _____ OPPOSE ✓ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
1-79

NAME James Haughey BILL NO. HB792

ADDRESS Bx2529 Billings MT DATE 2-20-79

WHOM DO YOU REPRESENT Self

SUPPORT _____ OPPOSE ✓ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

rm CS-34
9

NAME David Woodgerd BILL NO. 792

ADDRESS Helena DATE

WHOM DO YOU REPRESENT Dept. of State Lands

SUPPORT OPPOSE X AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
-79

D 15T27

NAME C P Thiessen Senator BILL NO. HB 792

ADDRESS Lambert DATE 2-20-79

WHOM DO YOU REPRESENT Senate

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
79

NAME Don L Allen BILL NO. HB 792

ADDRESS 510 Petroleum Bldg, Billings DATE 2/20/79

WHOM DO YOU REPRESENT Montana Petroleum Assoc.

SUPPORT ____ OPPOSE ✓ AMEND ____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Form CS-34
79

NAME Walter Boyboun BILL NO. 772

ADDRESS Star route Box 86 Sidney, Mont. DATE 2-20-77

WHOM DO YOU REPRESENT Self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

(IN SUPPORT OF H.B. # 792 (

I am Norman A. Nelson, President of the Northeast Montana Land and Mineral Owners Association, Inc. OF Westby, Mt.

I would like to thank the members of this Natural Resource Committee for allowing this Association time to support H.B.# 792.

We are not against oil and gas development, but we are opposed to some of the tactics used by some of the oil and gas companies . Especially their method of compensation for damages. This is usually a one time payment, which in the Association's opinion, is unfair.

We have worked with different oil and gas companies in the past four years since our existance, and have made steps foreward.

The association has a good working relationship with Mr. Don Allen, Executive Director, Montana Petroleum Association. We have contacted him on numerous occasions about problems with salt water being dumped into fields, pastures, and into natural ponds. Through the efforts of the EQC, this problem in now a minor one in Northeast Montana.

The attitudes of certain oil companies has been deplorable. Often, they would prepare a site without asking permission to be on the land of the surface owner. If the surface owner was fortunate to receive any payment for the damages, it was usually such a small payment that it wouldn't begin to cover loss of production . In the past four years as chairman of the Association, we have received several complaints of oil and gas companies unwilling to pay the surface owner any or enough money for damages and interference on his property.

It sure is a loss when you cannot grow any crop or vegetation on your land for twenty years or longer because of a dry hole or oil and gas production on your land.

The payments made by companies in our area for damages range from nothing to $500.00. (Copy of check.) Our farming corporation was offered $500. 00 for damages.

I would like this committee to study the copies of the letters from the Oil and Gas Commission that I have distributed. The purpose is to give you a first-hand view of some of the many problems that exist due to mineral development.

Notice that these letters contain complaints of dead cattle, ruined hayland crop, and land unfit to farm. All this is caused by improper mineral development practices. And in most cases, payment offered by the companies wouldn't begin to compensate the landowner for his loss.

On Feb. 9, 1979, I attended a meeting in Sidney, Mt. where more than 300 people were in attendance to discuss mineral development related problems. You do not get 300 people at a meeting unless there are problems.

We do need H.B # 792. It sure would create a better working relationship between the surface owner and the company involved.

The association would like to see this bill passed so it includes all wells now in production. After all, these wells represent the past damagesthat have created the problems.

In areas of irrigated land, a one time payment may even force the land owner to go broke if they do not have the mineral acres. The oil companies attitude has been to pay nothing for the use of the land, although the surface owner must continue to pay taxes on the land that is of no use to him.

Our family farm negotiated with Sun Oil. Co. to be paid for loss of production annually. They said this was unfair and paid $500.00 for a well that has been in production since September 9, 1963. I have a copy of that check and also a letter stating," $500.00 was paid as a full and complete settlement of any and all damages that occured as a result of drilling said well and the future right of use the land for operations". I am sure the oil companies here will say they always pay their land damages, but most often they are not fair or just.

Our Association has it's own Drilling Site Policy, which if honored, would take care of the past, present, and future problems. But sad to say, most companies don't want to. honor it. We also have our own Oil and Gas Lease and Pipe-line Easement, plus each month we publish a NEWSLETTER that is sent to all our members and mineral companies of the area.'

On behalf of the Association, I ask you to please support H.B.# 792. Thank you for your time and interest.

SIGNAL EXPLORATION INCORPORAI DENVER, COLORADO

INVOICE DATE	INVOICE NO.	VOUCHER NUMBER	GROSS	DISC. %	DISCOUNT AMOUNT	NET AMOUNT	TOTAL
2668 10 11 65		10-044	500 00				500.00
	Surface Damage Section 16, T35N, R58E				$500.00		
	Lease No. 397						

PLEASE DETACH AT PERFORATION BEFORE CASHING

SIGNAL EXPLORATION INCORPORATED
DENVER, COLORADO

DATE 10 11 65

No. 899 23-2 / 1020

COLORADO NATIONAL BANK
DENVER, COLORADO

PAY The sum of $500 and 00 cts

PAY EXACTLY $ 500.00 DOLLARS CENTS

TO THE ORDER OF

Mr. C. W. Nelson
Route #1
Westby, Montana

SIGNAL EXPLORATION INCORPORATED

Received from Loren O.T. on 6-18-74

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR
HARL WOLFS, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana 59101
May 20, 1975

Mr. Stanley Jensen
Westby
Montana 59275

Dear Mr. Jensen:

We wish to thank you for appearing before the Board of Oil and Gas Conservation on April 17, 1975 and bringing to their attention the complaint described in your letter of April 2, 1975. We also wish to thank you for your time and consideration given to our Mr. Joe Simonson when he visited with you on May 15, 1975 in order to obtain more details of the complaint.

Mr. Simonson has advised me that the pit referred to in your complaint is an old reserve pit in the SE¼ Section 21, Twp. 35N., Rge. 58E. that has now been filled. However, no crop is produced in the pit area. Mr. Simonson also advised me that you have been paid damages on approximately one acre of damaged land at the pit location. Mr. Simonson has also advised me that another pit in the NE SW Section 21, Twp. 35N., Rge. 58E. dug by Saratoga Production Company has altered the surface so that crops do not grow in the pit area. Saratoga has paid no damages to you at this location.

As set forth by Board Order No. 17-75 the Board has no authority to award damages nor adjudicate private disputes between surface owners and companies or individuals who drill for oil and gas. In an effort to promote better relations between surface owners and oil companies in northeastern Montana, we are asking Saratoga Production Company to investigate damage claims with you in the area of the pit in the NE¼ SW¼ Section 21, Twp. 35N., Rge. 58E.

We sincerely regret the damage that has taken place on your land. At the present there is no known practical method of restoring soil damaged by salt water or salty muds. We are in the process of promulgating new rules which we believe will minimize similar soil damage in the future.

If we can be of additional service to you in matters relating to oil and gas operations please contact Mr. Joe Simonson in Glendive, Montana. The phone number is 365-3592.

cc: Mr. Frank Hiestand
Mr. Norman Nelson
Mr. Joe Simonson

Very truly yours,

Judson D. Sweet by John H. Hughes
Petroleum Engineer

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana
May 9, 1975

Mr. Norman Overgaard
Westby, Montana 59275

Dear Mr. Overgaard:

We wish to thank you for appearing before the Board of Oil and Gas Conservation on April 17, 1975 and bringing to their attention the complaint described in your letter of April 1, 1975. We also wish to thank you for the courtesies extended to our Mr. Joe Simonson when he visited with you on May 8, 1975 in order to obtain more detail into the nature of the complaint.

Mr. Simonson has advised me that the pit referred to in your complaint is an old reserve pit now used in conjunction with the operation of an injection well -- the No. 1 Saratoga-Overgaard -- located in the NW NW Section 20-36N-58E. He has also advised me that this pit has been reduced in size and lined with an impermeable polyethelene type material since the damage occurred.

As set forth by Order 17-75 the Board has no authority to award damages nor adjudicate private disputes between surface owners and oil and gas operators. However in an effort to promote peace and harmony between surface owners and oil companies in northeastern Montana, we are urging Cotton Petroleum Corporation to expedite settlement of your damage claim.

We sincerely regret the damage that has resulted in your land due to improper handling and storing of produced brines in the past. At the present time there is no known feasible method of restoring soil damaged by salt water and the damage will probably remain for a long period of time. We are in the process of promulgating new regulations which, hopefully, will minimize similar occurrences in the future.

If we can be of additional service to you in matters relating to oil and gas operations, please feel free to contact Mr. Joe Simonson in Glendive, Montana. His phone number is 365-3592.

Yours very truly,

Judson D. Sweet
Petroleum Engineer

JDS/la
cc: Mr. Frank Heistand
Cotton Petroleum Corporation

Mr. Norman Nelson
Northeastern Montana Land & Mineral Owner's Association

Mr. Joe Simonson

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana
May 9, 1975

Mr. Frank Hiestand
Cotton Petroleum Corporation
2891 South Golden Way
Denver, Colorado 80227

Dear Mr. Hiestand:

On April 17, 1975 the Board of Oil and Gas Conservation of the State of Montana convened in Plentywood, Montana to hear an application by the Department of State Lands concerning alleged violations of regulations and statutes by oil and gas operators in northeastern Montana.

Among the several complaints heard by the Board was one submitted by Mr. Norman Overgaard of Westby, Montana. A copy of Mr. Overgaard's letter of April 1, 1975 is attached.

Our Mr. Joe Simonson interviewed Mr. Overgaard on May 8, 1975 in order to obtain more detail into the nature of his complaint. Mr. Simonson has advised me that the source of the damage to Mr. Overgaard's property was an unlined pit used in conjunction with the operation of an injection well located in the NW NW Section 20-T36N-R58E. He also advised me that this pit is now lined with an impermeable polyethylene type material which should prevent any further seepage.

As you are aware, the Board has no jurisdiction to award damages to landowners nor to adjudicate disputes between surface owners and oil and gas operators. However, in the interest of promoting peace and harmony between agricultural interests and the oil industry in northeastern Montana we urge you to expedite settlement of damage claims with Mr. Overgaard which we understand are still pending.

We would appreciate your acknowledging receipt of this letter and would welcome any comments you may wish to offer in regard to Mr. Overgaard's complaint.

Yours very truly,

Judson G. Sweet
Petroleum Engineer

Attach.
JGS/la
cc: Mr Norman Overgaard
Westby, Montana

Mr. Norman Nelson
Northeastern Montana Land and Mineral Owners Association
Westby, Montana

Mr. Joe Simonson
Glendive, Montana

Westby, Montana
May 19, 1975

Mr. Frank Hiestand
Cotton Petroleum Corporation
2891 South Golden Way
Denver, Colorado 80227

Subject: Damages - mainly, salt water spill on N½ of 20-36N-56E
Sheridan County, Montana

Dear Mr. Hiestand:

I would like to meet with you to discuss settlement for the damages to the land described above.

I am sure you are aware of the estimated 3000+ barrels of salt water that flooded our land in January of 1974. One of your men was at the well when the deputy sheriff was there taking pictures and collecting water samples of the water leakage. I would suppose he would have reported this to you.

I have estimated the crop loss on this land to be $1000.00 for 1974. This includes what was seeded to Durum wheat and the acreage seeded to oats which was cut for hay.

There is no way of knowing what the loss of crop will be for this year or years to come. Therefore, some formula for future loss should be worked out.

I am having the damaged acres measured and soil samples taken as soon as possible. Sheriff Holt has placed the water samples he took in a safe at the County Attorney's office in case this evidence will be needed at any future time.

I would appreciate hearing from you soon so we can work on some agreement concerning this matter.

Sincerely yours,

Norman C. Overgaard

Norman C. Overgaard

cc: Mr. Norman Nelson
Northeastern Montana Land and Mineral Owners Association

Mr. Joe Simenson
Glendive, Montana

Mr. Judson D. Sweet
Petroleum Engineer
Billings, Montana

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR
GARY WICKS, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana 59101
June 20, 1975

Mr. Joel Lagerquist
Westby
Montana

Dear Mr. Lagerquist:

We wish to thank you for the courtesies extended to our Joe Simonson when he visited you on June 5, 1975 to discuss in more detail the nature of the complaint that you submitted to the Board of Oil and Gas Conservation on April 2, 1975.

Mr. Simonson has advised me that three salt water disposal pits located in the SE SW Section 9, Twp. 35N., Rge. 58E. overflowed salt water into a nearby slough. In 1972 these pits were filled in but grass has not grown well in the area of the previous pits since the back fill was placed. The damaged area measures approximately 94,500 square feet. Mr. Simonson has advised me of the loss of four calves which you believe died because of lead poisoning.

Mr. Simonson has advised me of a disposal pit in the SE SE Sec. 9, Twp. 35N., Rge. 58E which overflowed salt water into a nearby slough which in turn would overflow and run into a second slough. Mr. Simonson reported no plant growth in or near the two sloughs.

Mr. Simonson also told me of salt water damage from tank overflow and line breaks in the SE SW Sec. 9 and in the SW SE Sec. 9, Twp. 35N., Rge. 58E. Mr. Simonson advised me that you have been paid a total of seventy ($70.00) dollars damage when the water-flood system was installed but that since salt water spills have occurred later, you feel that you have not been properly compensated.

As set forth by Board Order No. 17-75 the Board has no authority to award damages nor adjudicate private disputes between surface owners and companies who drill for oil or gas. In an effort to promote better relations between surface owners and oil companies operating in northeastern Montana, we are requesting Cotton Petroleum Company and Sun Oil Company to investigate damage claims with you in Sec. 9, Twp. 35N., Rge. 58E. We regret the damage that has occurred in your farm. At the present time there is no known practical method of restoring soil damaged by salt water or salty muds. We are in the process of promulgating new rules which we believe will minimize similar soil damage in the future.

If we can be of additional service to you in matters relating to oil and gas operations please contact Mr. Joe Simonson in Glendive, Montana. His phone number is 365-3592.

Sincerely yours,
Judson D. Sweet by John H. Hughes, Geologist

DIVISION OFFICE
323 FULTON AVE.
P.O. BOX 2[illegible]
HELENA, MONTANA 59601

TECHNICAL
AND SOUTHERN FIELD OFFICE
15 POLY DRIVE
BILLINGS, MONTANA 59101

NORTHERN FIELD OFFICE
2[illegible] MAIN STREET
P.O. BOX 690
[illegible], MONTANA 59[illegible]

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR
GARY FISHER, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana

May 5, 1975

Mr. W. J. Turner
Sun Oil Company
800 Securities Life Building
Denver, Colorado 80202

Dear Mr. Turner:

On April 17, 1975 the Board of Oil and Gas Conservation of the State of Montana convened in Plentywood, Montana to hear an application by the Department of State Lands concerning alleged violations of regulations and statutes by oil and gas operators in northeastern Montana.

Among the numerous complaints heard by the Board were those submitted by Mr. Richard Osksa of Westby, Montana. A copy of Mr. Osksa's letter of March 29, 1975 is attached. In order to obtain more detail about Mr. Osksa's complaints, our Mr. Joe Simonson of Glendive, Montana interviewed Mr. Johnson on April 29, 1975.

On the basis of Mr. Simonson's discussions with Mr. Osksa, two of his complaints require corrective action by Sun Oil Company. Therefore, in accordance with Board Order 17-75, you are hereby directed to:

1. Backfill and restore the reserve pit used in conjunction with the drilling of Sun-Osksa No. 3, SE SW Section 8-T35N-58E, as soon as the water recedes and the pit is reasonably dry and,

2. Either line with an impermeable material the present emergency pit located at the Osksa tank battery site located in the SE¼ Section 8-T35N-R58E or replace it by backfilling and installing metal tankage.

Failure to comply with the foregoing orders by July 1, 1975 may result in penalties as set forth by Order 17-75.

In addition to the foregoing we urge you to settle any claims that may still be pending with Mr. Osksa and would appreciate your relaying to us details of any new techniques or feasible methods of restoring land damaged by salt water spills or seepage that may become available.

We would also appreciate your acknowledging receipt of this letter and would welcome any comments you may wish to make regarding Mr. Oskisa's complaints.

Yours very truly,

Judson S. Sweet
Petroleum Engineer

JSS/la
cc: Mr. Richard Oskisa
Westby, Montana 59275

Mr. Norman Nelson
Northeastern Montana Land and Mineral Owner's Association
Westby, Montana 59275

Mr. Joe Simonson
Glendive, Montana

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR

LARRY N. DUNCAN, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana
May 5, 1975

Mr. Richard Osksa
Westby, Montana 59275

Dear Mr. Osksa:

We wish to thank you for appearing before the Board of Oil and Gas Conservation April 17, 1975 and bringing to their attention the various complaints outlined in your letter of March 29, 1975. We also wish to thank you for the courtesies extended our Mr. Joe Simonson when he interviewed you on April 29th in order to obtain more detail about the complaints.

From the information supplied me by Mr. Simonson it is now my understanding that you did not realize at the time you submitted your letter of March 29th that most of the complaints cited therein had been settled by Sun Oil Company by making damage payments. It is also my understanding that the damaged area described in the third paragraph of your letter (Section 17-35N-58E) was acquired by you after the damage had occurred and at the time of the acquisition you were fully aware of the condition of the surface and of the inconveniences and risks it might present in the ensuing years.

The foregoing, of course, does not alter the fact that there is still salt water damaged areas on your property which will probably remain for a long period. Regretfully there is no known method of restoring salt water damaged soil short of physically removing it and replacing it with undamaged soil. Hopefully, with the passage of new regulations, we can forestall malpractices that were permitted in the past and ensure that salt water damage in the future is minimized.

Contrary to the fourth paragraph of your letter of March 29, 1975 wherein you describe a reserve pit as having been filled in, Mr. Simonson has advised me the subject pit has not been filled in but is now under water due to runoff. On April 30, 1975 Mr. Simonson took a water sample from the slough. Analysis of this sample shows a NaCl content of 475 ppm which is relatively fresh (see attachment). Nevertheless we are requesting Sun to backfill this pit as soon as the water recedes and the pit is reasonable dry.

We are also asking Sun to backfill and replace with metal tankage or line with an impermeable material, the pit described as being in the SE¼ Section 8-35N-58E (fifth paragraph) and to expedite settlement with you of any damage claims that may still be pending.

Yours very truly,

Judson D. Sweet
Petroleum Engineer

JDS/la
cc: Mr. W. J. Turner
Sun Oil Company

Mr. Norman Nelson
Northeastern Montana Land and Mineral Owners Association
Westby, Montana

Mr. Joe Simonson
Glendive, Montana

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana 59101
June 25, 1975

Mr. Frank Hiestand
Cotton Petroleum Company
2691 South Golden Way
Denver, Colorado 30227

Dear Mr. Hiestand:

As you are aware, the Board of Oil and Gas Conservation convened in Plentywood, Montana on April 17, 1975 to hear an application by the Department of State Lands concerning alleged violations of regulations and statutes by oil and gas operators in northeastern Montana.

Among the many letters of complaint entered into evidence was one submitted by Mr. Joel A. Lagerquist of Westby, Montana.

Our Mr. Simonson interviewed Mr. Lagerquist on June 5, 1975 in order to obtain more details on the complaint. Mr. Simonson advised me that Mr. Lagerquist complains about four salt water disposal pits, all of which have overflowed from time to time and inflicted damage to the nearby soil.

In 1963 Signal drilled the No. 1 Lagerquist, SE SW, Sec. 9, Twp. 35N., Rge. 58E. Three salt water disposal pits were dug and each overflowed into a slough. In 1972 the pits were filled in but grass has not grown well here since. The damaged area measures 450 by 210 feet or about 94,500 square feet. The Lagerquists are unhappy about this area and would like to see the soil improved.

In 1963 Signal drilled the No. 2 Lagerquist, SE NW, Sec. 9, Twp. 35N., Rge. 58E. During 1965 and 1966 the Lagerquists lost four calves which they believe were killed by lead poisoning. Specimen of the calves were sent to the Montana Livestock Sanitary Board and the latter reported death due to lead poisoning.

In 1964 a salt water injection well was completed in the SE SE, Sec. 9, Twp. 35N., Rge. 58E. A pit at this site overflowed salt water which ran into a nearby slough. The latter would fill up and run into a second slough. Mr. Simonson reported no plant growth in or near the two sloughs in question.

Mr. Lagerquist complained about salt water damage in two other areas, namely, the SW SE, Sec. 9, Twp. 35N., Rge. 58E. and the SE SW, Sec. 9, Twp. 35N., Rge. 58E. Tank overflow and line leaks has damaged grassland in the SE SW, Sec. 9 and wheatland has been damaged in the SW SE, Sec. 9, Twp. 35N., Rge. 58E. When the waterflood system was installed, the Lagerquists received approximately seventy ($70.00) dollars damages but because of spills since that time, they feel that they have not been fairly compensated.

The Board of Oil and Gas Conservation has no jurisdiction to award damages to landowners nor to adjudicate disputes between surface owners and oil and gas operators. In an effort to promote better relations between surface owners and oil companies in northeastern Montana, we are requesting Cotton Petroleum Corporation and Sun Oil Company to visit Mr. Lagerquist and inspect the damaged areas in Sec. 9, Twp. 35N., Rge. 58E. for the purpose of determining extent of damage and possible compensation to Mr. Lagerquist.

We would appreciate your acknowledging receipt of this letter and would welcome any comments you may wish to offer in reference to Mr. Lagerquist's complaints.

Yours very truly,

Judson D. Sweet by John H. Hughes

cc: Joel Lagerquist, Westby
Norman Nelson, Westby
Joe Simonson, Glendive

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana 59101
June 23, 1975

Mr. W. J. Turner
Sun Oil Company
800 Security Life Building
Denver, Colorado 80202

Dear Mr. Turner:

As you are aware, the Board of Oil and Gas Conservation convened in Plentywood, Montana on April 17, 1975 to hear an application by the Department of State Lands concerning alleged violations of regulations and statutes by oil and gas operators in northeastern Montana.

Among the many letters of complaint entered into evidence was one submitted by Mr. Joel A. Lagerquist of Westby, Montana.

Our Mr. Simonson interviewed Mr. Lagerquist on June 5, 1975 in order to obtain more details on the complaint. Mr. Simonson advised me that Mr. Lagerquist complains about four salt water disposal pits, all of which have overflowed from time to time and inflicted damage to the nearby soil.

In 1963 Signal drilled the No. 1 Lagerquist, SE SW, Sec. 9, Twp. 35N., Rge. 58E. Three salt water disposal pits were dug and each overflowed into a slough. In 1972 the pits were filled in but grass has not grown well here since. The damaged area measures 450 by 210 feet or about 94,500 square feet. The Lagerquists are unhappy about this area and would like to see the soil improved.

In 1963 Signal drilled the No. 2 Lagerquist, SE NW, Sec. 9, Twp. 35N., Rge. 58E. During 1965 and 1966 the Lagerquists lost four calves which they believe were killed by lead poisoning. Specimen of the calves were sent to the Montana Livestock Sanitary Board and the latter reported death due to lead poisoning.

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Mr. Lagerquist complained about salt water damage in two other areas, namely, the SW SE, Sec. 9 and the SE SW, Sec. 9, Twp. 35N., Rge. 58E. Tank overflow and line leaks has damaged grassland in the SE SW, Sec. 9 and wheatland has been damaged in the SW SE, Sec. 9, Twp. 35N., Rge. 58E. When the waterflood system was installed, the Lagerquists received approximately seventy ($70.00) dollars damages but because of spills since that time, they feel that they have not been fairly compensated.

The Board of Oil and Gas Conservation has no jurisdiction to award damages to landowners nor to adjudicate disputes between surface owners and oil and gas operators. In an effort to promote better relations between surface owners and oil companies in northeastern Montana, we are requesting Cotton Petroleum Corporation and Sun Oil Company to visit Mr. Lagerquist and inspect the damaged areas in Sec. 9, Twp. 35N., Rge. 53E. for the purpose of determining extent of damage and possible compensation to Mr. Lagerquist.

We would appreciate your acknowledging receipt of this letter and would welcome any comments you may wish to offer in reference to Mr. Lagerquist's complaints.

Yours very truly,

Jackson D. Sweet by John H. Hughes

cc: Joel Lagerquist
Norman Nelson, Westby
Joe Simonson, Glendive

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR

GARY WILSON, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

15 Poly Drive
Billings, Montana
July 23, 1975

Murphy Oil Corporation
P. O. Box 547
Poplar, Montana 59255

Gentlemen:

On April 17, 1975 the Board of Oil and Gas Conservation of the State of Montana convened in Plentywood, Montana to hear an application by the Department of State Lands concerning alleged violations of regulations and statutes by oil and gas operators in northeastern Montana.

Among the numerous complaints heard by the Board was one submitted by Mr. Orphey "Bud" Lien. A copy of Mr. Lien's written complaint is attached. In order to obtain more detail about the nature of Mr. Lien's complaint, our Mr. Joe Simonson of Glendive, Montana interviewed Mr. Lien on June 14, 1975.

The various items that Mr. Lien is complaining about are detailed in the attached letter to Mr. Lien. Most of the specific complaints are located within the Federally-supervised East Poplar Unit and we are asking the U.S.G.S. to investigate and initiate corrective action as soon as possible.

Complaint No. 3 concerns a plugged and abandoned well, Murphy (Empire State) Cornejo No. 3, NE SW Section 8-29N-51E., which is not within theEast Poplar Unit Area. We request that you initiate immediate action to remove the concrete pumping unit pad from this location, backfill and restore the small pit at the tank battery site and remove any flow lines that interfere with Mr. Lien's farming operations. We also request that you cut off the well marker below plow depth and restore the well site location.

We also request that you make an effort to restore any areas on Mr. Lien's property that have been damaged by salt water spills or line leaks and urge you to settle any claims for damage that may still be pending.

The Board of Oil and Gas Conservation has no jurisdiction to award damages to landowners nor to adjudicate disputes between surface owners and oil and gas operators. However, in an effort to promote better relations between individuals and oil companies we trust that you will cooperate willingly in complying with our requests.

DIVISION OFFICE
[illegible]
P. O. Box [illegible]
HELENA, MONTANA 59601
[illegible]

TECHNICAL
AND SOUTHERN FIELD OFFICE
[illegible]

NORTHERN FIELD OFFICE
[illegible] MAIN STREET
P. O. Box [illegible]
[illegible], MONTANA [illegible]
[illegible]

Dennis Wick
Rt.1 Box 55
Sidney, Mt. 59270

February 20, 1979

Dear Members of the Natural Resources Committee,

I live on an irrigated farm 2½ miles N.E. of Sidney. I would like to have the opportunity to continue farming and also sub-divide my property if I so choose. I am here in support of HB792 because there has got to be something done to establish the damages compensation that are just and due to the private surface owner. A 2½% royalty is the fairest way and the simplest way that this can be accomplished. There has to be a set figure for damages because the oil companies will try to pull every trick there is to swindle the surface owner. I would just briefly like to give you some examples;

Shell Oil Co. has moved into my place and set up a rig about 500 feet from my corrals. There has been no agreement as to damages but the rig is drilling now at about 8700 feet. When I wouldn't settle for the price they offered which was less than the land would produce in three years, let alone paying the taxes, they came anyway.

In the Feb. 12, 1979 issue of the Sidney Herald I said "the oil company had not offered enough money for expected damage so they cut the fence and came anyway" however when the Sidney Herald contacted Don DeMuth, a Shell Representative, he said " Shell made a very good offer and did not cut the fences." I have pictures which the county deputy sheriff Jim Miller, took of the fences that were cut and while he was investigating found that there had been salt water dumped on the road which runs through my irrigated field leading to the rig and so a citation was issued th Hi-Line Trucking. I would like to read the comments written by the deputy sheriff to the circumstances leading up to the drilling of the well.

in August of 77 a representative from Shell oil meet me at the Dennis Wich farm where we had a discussion about the oil well location.
The surveyors had ~~not~~ invaded the trespassement with Denise and he told them to stop. The representative from Shell oil told Denise that they would leave at this time and would not come back until a settlement was made with Denise. That representative was Larry Meinkey.
In March of 78 I went with ~~[illegible]~~ Don Demuth to the Wich farm and at that time no settlement was made and they were going to stake the location.
At that time Don told Denise when they came in with the rig they would put in cattle passes and build a new fence.
At this time the rig is at 8700 feet and there is no fence no cattle passes and no settlement. On 2-14-79 I issued H-line trucking a ticket for dumping salt water on the road to the location.

Jerry R Miller
Sgt. Deputy Sheriff

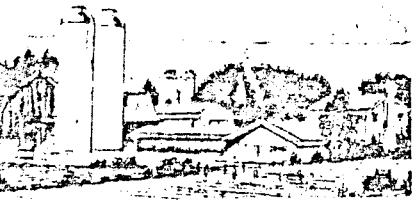
As I mentioned before my land is prime subdivision property, but due to the hydrogen sulfide gas, which most wells produce , no one in our area is safe. A subdivision was applied for west of town, but it was denied because of the proximity of an oil well. "The hydrogen sulfide gas presents potential hazards to public health and safety" was a quote from the Sidney Herald on this particular incident.

The land is worth about $2,000 an acre for agriculture, but I talked to Nick Jones of Nick Jones Real Estate and these are his comments; (read letter)

I feel the potential of my property or anyone's shouldn't be taken away without due compensation by any oil or gas producers.

A Concerned Voting Citizen,

Dennis Wick



Nick Jones Real Estate

Nicholas J. Jones
Broker-Realtor

REALTOR

P.O. Box 767
Sidney, Montana 59270

Office Ph. 482-4445
Home Ph. 482-2844

February 16,1979

Mr. Dennis Wick
North of Sidney
Sidney, Montana

Dear Mr. Wick,

In reference to our conversation of Yesterday, the possibilities of a Rural Subdivision in your area, are quite real. There are, however, quite a few regulations, both local and State that must be complied with. Assuming that these regulations can be met, your property is deffinately marketable, in the Rural Subdivision catagory.

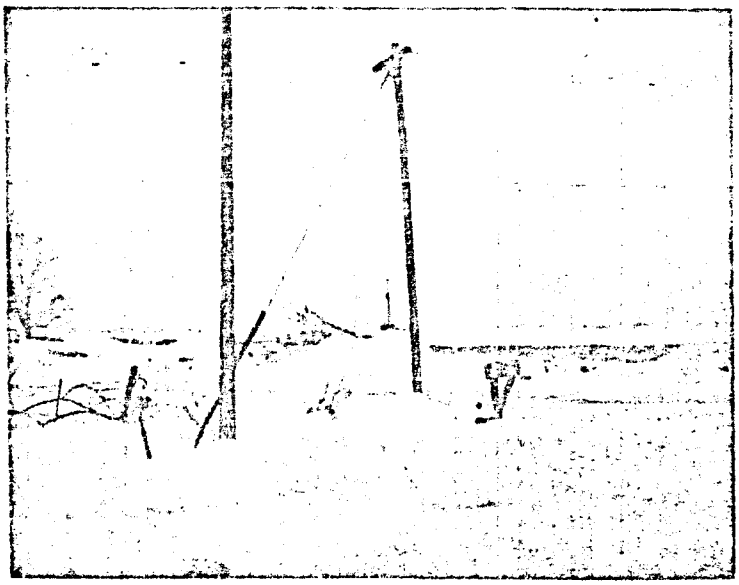
If you would like to stop by our office sometime when you have a chance I would be happy to discuss this idea with you in detail, and we could review some of the regulations of which we are speaking.

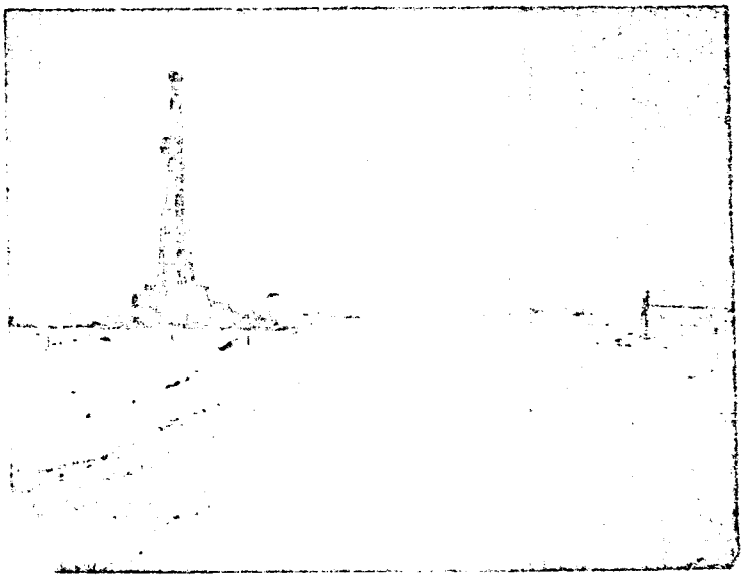
At the present time small tracts of land, that are available for one family dwellings or mobile homes, are in great demand. At this time, one acre tracts are selling from $8,000 to $10,000 However, they're few if any of these tracts available. On larger tracts, of more than one acre and less than twenty acres, I would say that these are selling for, from $4,500 to $6,000. Some Industrial properties, are selling for from $8,000 per acre and up, depending on location.

Sincerely,

Nick Jones

Nick Jones





orm CS-34
79

NAME Hugo J. Asbeck BILL NO. 78

ADDRESS R4 Box 2 Farview Mont DATE Feb 5

WHOM DO YOU REPRESENT Self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Testimony Hugo Kobek & Farmer & Farm Bureau

I am in favor of HB792 as a way to compensate for land damage & loss of production

I have one oil well on my place and another is being drilled.

Brownlie, Wallace Armstrong & Bader have not payed any damages on the first well and have not offered acceptable compensation on the site they are now drilling.

I asked that we settle on damages and that the site be fenced prior to entry. They agreed. BWAB said they needed 3 acres but that they could get by on three acres if they had to fence it first. They have taken closer to six acres.

I asked that the pit be lined which is a fresh water vein. They did, but it is all full of holes.

Jim Brown from the Water Quality Bureau recommended to the Oil & Gas Commission (Mr. Simonson) that he immediately before drilling is commenced require Jim Brown Drilling Company to place another plastic liner in the pit over the existing liner. Mr. Simonson suggested that he have them place several yards of drilling

mud in the bottom of the pits right away. Jim Brown indicated this would be alright as a second choice, but that he preferred another layer of plastic. Another layer of plastic has not been put in the pit and I don't know about the drilling mud. This pit is located approximately 125 FT from where I water cattle. It is also located next to a drain that drains into the Yellowstone River.

They have split my pasture in half also filled in my irrigation ditch which I will have to reroute around the site area. They cut my fences and left gates open prior to install cattle crossing.

Yes I'm for HB 792 thats the only way we will ever get compensated ~~for~~ for damage inconvience & lack of production.

Hugo J Hybeck
Sign Here
Initial Here.

Department of Health and Environmental Sciences
STATE OF MONTANA HELENA, MONTANA 59601

A. C. Knight, M.D., F.C.C.P.
Director

January 29, 1979

Tom Brown Drilling Company
Sidney, Montana 59270

ATTENTION: Drilling Supt. Asbeck Property

Re: Drilling Site
Hugo Asbeck, Jr., Property
SW¼, SW¼, Sec. 36, T24N, R59E

Dear Sir:

This is a followup to a field inspection of the above-referenced drill site made by Mr. Jim Brown of this Department's Billings office on January 16, 1979.

Mr. Brown's field report includes the recommendation that, based on his investigations, usual pit reclamation procedures would be unacceptable to the Water Quality Bureau at this site. High groundwater in the area is the reason for this decision.

Please submit to this office, no later than ten days after receipt of this letter, your compliance plan designed to provide a Department approved disposal site for the contents of the above-referenced drill site pits. One primary concern of this office is to insure that drilling muds, brines, and oil/hydrocarbon wastes are not placed in a location where they might impact surface waters or groundwaters and cause pollution of state waters.

Please include in your plan all necessary dates, locations, methods, and data regarding your proposed pit contents disposal site so that this office may evaluate and approve your plan prior to its utilization.

Mr. Jim Brown will cooperate with you in approval of an alternate pit reclamation plan. His phone number is (406)252-5697. We have requested your immediate reply to this letter because of the rapid progress of drilling operations.

Thank you for your cooperation in this matter.

Sincerely yours,

Kevin D. Keenan
Permits/Enforcement
Water Quality Bureau

KDK/jlk
cc: EPA
Joe Simonson, O&G Commission, Glendive
Jim Brown, Billings WQB
Hugo Asbeck, Jr., Sidney

Office Memorandum

STATE DEPARTMENT OF HEALTH
AND ENVIRONMENTAL SCIENCES

TO : Kevin Keenan, Water Quality Bureau, Helena

DATE: January 22, 1979

FROM : James F. Brown, P.E., Office Manager
Billings Branch Office

SUBJECT : Complaint by Hugo Asbeck, Jr. regarding oil well drilling brine pits

On Tuesday, January 16, 1979, the writer accompanied Mr. Joe Simonson of the Oil and Gas Commission (Glendive Office) to the Hugo Asbeck, Jr. property and investigated the above complaint. We arrived at Mr. Asbeck's at about 9:00 A.M. Mr. Asbeck showed us what he wanted to show us and we finished our investigation at his property at about 3:00 P.M., Tuesday afternoon.

Briefly, my observations at the site were as follows:

1. Tom Brown Drilling Company (with an office in Sidney) is drilling at the site (T24N, R59E, Section 36, SW¼, SW¼).

2. The mineral rights on the property are owned by the State and leased by B, W, A & B (a company out of Denver, Colorado -- also with an office and contact (Alfred Dooley) in Sidney).

3. Drilling will be to the Mission Canyon Formation at a depth of about 9,600 ft.

4. As of January 16, 1979, they had not yet begun drilling, but were assembling the derrick and drilling platforms. Drilling was scheduled to start the day after our visit.

5. Supposedly, it will take the outfit three days to set surface casing (to a depth of 700 ft. to 1,000 ft.) and a total of 30 days to drill the well.

6. The brine pits had been dug at the site. They consist of a two-cell pit with overall dimensions of about 75' X 150'. The pits are divided by a partial dike and they are lined with a plastic material. The cells are about 8 ft. deep.

7. The pits are located very close to an irrigation return ditch. The ditch turns direction near the pits and is located about 75' to the west of the pits and about 125' to the north of the pits.

8. The irrigation ditch looked approximately 10 ft. deep and contained flowing water at the time of the visit. Since the flow in the ditch appeared to increase along the length of the ditch, the flow was probably due to the ground water inflow.

9. Mr. Asbeck's cattle have access to the ditch approximately straight north of the pits.

10. The pits contained a foot or so of brine water, fuel oil, etc. in one cell. The other cell may have also contained some frozen brine, but it was snow covered, so I couldn't tell for sure.

11. Mr. Asbeck reported that the plastic liners were torn in severa la I couldn't tell if this was the case or not because of the snow ove and liquid in the one cell. The Drilling Superintendent for Tom co Drilling Company denied that the liner was torn anywhere

12. Mr. Asbeck reported that the pits were dug into the ground water nd the liner laid on water. Again I couldn't verify this because of th snow cover and frozen conditions. Again the Drilling Superintendent denied it. He said the pits were dug with a "cat" and if the pits ha any significant amount of water in them, they wouldn't have been ble to walk a "cat" out of it. He said if there had been high ground wa they would have had to dig the pits with a drag line. Jones Constru tion Company out of Sidney did the dirt work.

13. The Drilling Superintendent indicated that he put brine in the pits as soon as the plastic was laid to keep it from blowing away.

14. The pits were dug when the ground was frozen and the bottoms and sid contained many large frozen chunks of dirt (under the liner). The b and sides were very poorly prepared before the liner was laid. The Drilling Superintendent indicated the liner was laid with plenty of slack in it to prevent it from tearing on the frozen chunks.

15. I, Mr. Asbeck, and Mr. Simonson all observed the driller dump severa hundred gallons of diesel fuel and condensate from a large fuel tank into the pits. I took pictures and samples of this and noted o the material running back under the liner. This is insignificant I think except that it shows the type of materials that are often placed in these pits. The Drilling Superintendent also indicated th they always dump waste oil, etc. into the pits also.

16. As I understand it, the drilling procedure is as follows:

    a) An adequate quantity of brine water is dumped into the pits from another site or mixed with fresh water at the site and then dump into the pits.

    b) This brine is used only in the start of drilling. Brine must be used because evidently fresh water causes the sides of the hole to cave in.

    c) After they are well on their way, drilling mud will be used inst of the brine. The mud is a brine solution with bentonite cla and other chemicals. The intent of the mud is to seal (so say the Oil and Gas Commission people) and so they say it will not have any adverse effects on ground waters in the area. After mud is started, the pits will be filled with the mud and will no longer be used for brine.

17. I, Mr. Simonson, and Mr. Asbeck met with Mr. Cumming, of Hubedank Cumming and Best (Mr. Asbeck's attorneys) and discussed the mat

Based on what I observed and heard, most of which is discussed above, I have the following comments:

1. Although there appears to be a potential for ground and surface water pollution from the pits, we should be aware that Mr. Asbeck and the drillers have in the past reportedly had several run-ins. Mr. Simonson indicated that bad feelings are common between surface landowners and drillers when the surface landowners don't own the mineral rights.

2. Although I couldn't verify that the pits are dug into the ground water by inspection, I feel that during the irrigation season, the ground water will be very high in the area and odds are that the ground water level around the pits will be above the bottom elevation of the pits.

3. Considering the reported tears in the liner, which I couldn't verify, the fact that the liner was laid on many large chunks of frozen ground, and the character of the materials placed in the pits, I feel that there is a reasonable possibility of ground and surface water pollution in the area from the pits.

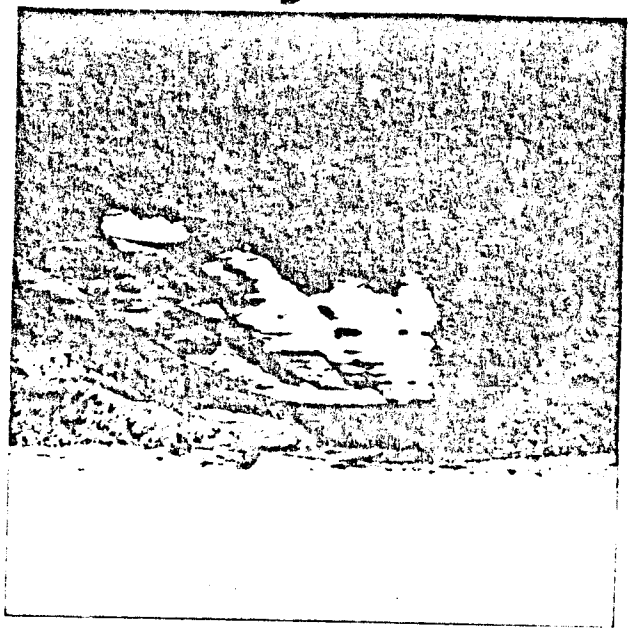
4. Considering the speed at which these drillers operate, I doubt that there is sufficient time for us to pursue the "placing wastes where they may cause pollution" angle. I have taken background samples in the ditch upstream and downstream from the drilling site. I suggest that we take samples at the same sites in the future and if the water deteriorates because of the pits, we take action at that time for pollution of state waters.

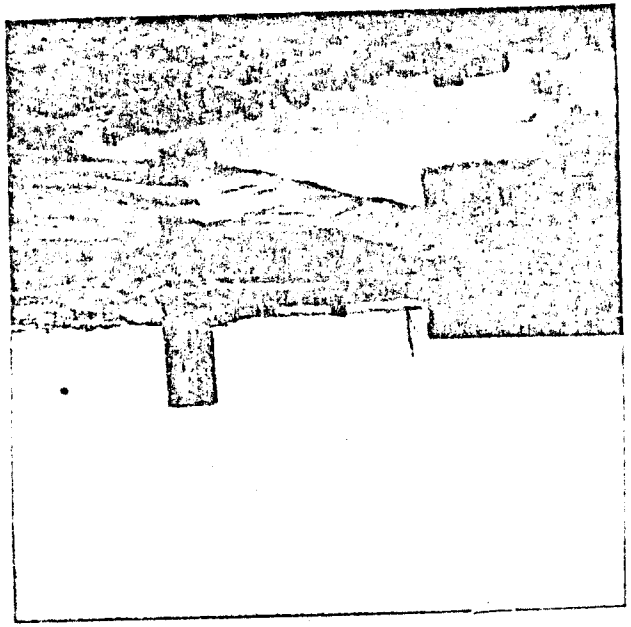
5. I recommended to the Oil and Gas Commission (Mr. Simonson) that he immediately -- before drilling is commenced -- require Tom Brown Drilling Company to place another plastic liner in the pits over the existing liner. This should provide a significant amount of additional safeguard. Mr. Simonson suggested that he have them place several yards of drilling mud in the bottom of the pits right away, which he said would seal the bottom. I indicated this would be alright as a second choice, but that I preferred another layer of plastic liner. I don't know what Mr. Simonson finally decided to tell them . I would like to point out that the drilling superintendent indicated he would be willing to put an additional liner in the pits if it would make us happy, even though it would cost them an additional $3,000.

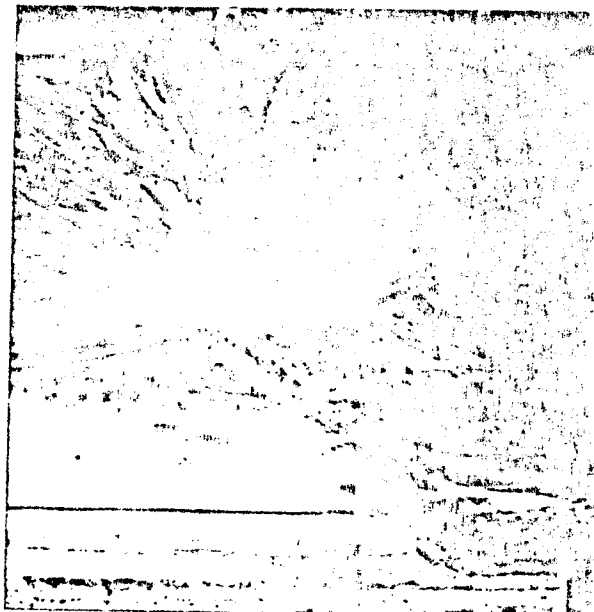
6. Finally, I suggest that BWA&B be informed by the Oil and Gas Commission that usual pit reclamation procedures will not be sufficient at this site and that they will have to prepare an alternate procedure that is acceptable. Basically, they should be required to finally dispose of the drilling mud in some adequately protected area out of the alluvial river bottom.

Call me if you have any questions on the matter.

cc: Joe Simonson, Oil and Gas Commission, Glendive 59330
✓Wayne Cumming, Attorney, P. O. Box 751, Sidney 59270
Billings Branch Office, P. O. Box 20296, Billings







JAN 18, 1979
9:00 A.M.

HIGHWAY OPEN
1:17 P.M. JAN 18, 1979

JAN 15, 1979

JAN 4, 1979

JAN 1, 1979

I am Russ Denoun from Richland county
I am a farmer Rancher ~~&~~ mi. N. W. ~~of~~ of sidney
I Thank you for the opportunity to testify here tod

I do support House Bill 792 as I feel The Propert
owners, are not being dealt with fairly, by some
oil companys Drilling for oil on their Property.

I had The experience of a law suit over surfa
Damages, on The drilling of a well By True oil, on h
Property, This spring.
~~The~~ True oil was awarded a sizable Judgeme
against ~~on~~ me, for intersering with their right to drill for a fen
The well is a Producer, and I have not received
cent for damages of any kind, Nor do I expect i
with things the way they are now.
This well could be on Production for many
years, and I continue to Pay The Taxes on The
Property, Mend ~~Mend~~ the Broken fences, contend wit
the salt water, Spills, oil spills, ETC.

They Paid me 2,000 for well just Prior to Moving

they Never gave me a definit No until they were Moving the Rig on

Kept telling me they would check with their Supperior -

our evidence was Inadmissable Judge Ruled according to him I had no Damages coming

I do not own the Minerals

Form CS-34
79

NAME Ray Irang - farm, ranch BILL NO. HB 792

ADDRESS Grand Rte Sidney, Mont 59270 DATE 2-20-79

WHOM DO YOU REPRESENT Self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

My experience and testimony in relation to this bill began in 1967 with the drilling by Mecom oil production on land owned by me. Again in 1969 another well drilled by the same company. Both wells being plugged & abandoned at finish of drilling.

I have never received any compensation for damages of any kind in either case although spent considerable efforts to do so. I sustained loss of production from the agricultural land involved in both cases amounting to a year loss of grazing & new fences as well as pit & contents also had to do on one clean up debris in order to prepare at all in vicinity.

In the second well lost a winter wheat crop on a 7.2 acre field which location and road took up most of field. Also on second location pit open & full of contaminates for one 1 year period loss use of most of left 7 acres pretty much on permanent basis for several years.

I am in support of this bill in relation to the significant knowledge of a property owner with the justice, due and undivided as opposed to hasty well financed oil development. However I do not oppose orderly oil development.

Rep. Shiltz

TRAILLODGE ...AT THE GULCH HB 792

Jim Ray Trang farms ranches 17 miles N.W. of Shelby in the Crossen, Sweetgrass oil field area.

My first experience with oil company began July 20 1961 when attorney for Miami Oil Producers, Inc. called for my abstracts.

Dirt moving for location began Aug 29, 1967

First drilling contractor moved rig in next day and later released from contract moved back out left debris and compaction to grain field area where rig was unloaded.

Second drilling contractor began drilling Nov 16, 1967 finished and hole P & A Jan 23, 1968

Pit open and full of salt water, with crude oil film till mid summer pit closed Oct 10, 1968.

I cleaned up debris from drilling which took several days at different times during winter and spring.

Negotiations for damages back and forth with oil co. but never any Committed and no payment of any kind.

I lost full season of grazing and wintering on 120 acres which adjacent to my bldgs and is used for wintering and calving grounds as well.

May 14, 1969 Miami Oil Producers, Inc. began 2nd location in center of 7.2 acres winter wheat field. We harvested very little of the 7 acres. During June + July of 1969 extremely rainy and roads to location dried down to dry dirt daily for access to site causing problems in farming operation. Hole plugged + abandoned July 10, 1969

July 1, 1970 one year later, pit dozed in + site cleaned up fair. In meantime lost grazing for fall + following spring on 80 acres well as 60 acres of grain field never harvested. Again negotiations for damages but always stalling. I made several phone calls and attorney sent letter for damages next (2) years with no settlement for site, etc.

I am in support of HB 792 and I thank you for the opportunity to

Submitted by Ray Irving as additional testimony
This release was drawn up prior to the wel oil Co
in 1967 at time of attempted negotiations for our 1st well
location.

RELEASE OF ALL CLAIMS

KNOW ALL MEN BY THESE PRESENTS:

THAT _____
for and in consideration of the sum of Five Hundred Nand No/100 ($500.00) Dollars cash, to us in hand paid this date by Miami Oil Producers, Inc., the receipt and sufficiency of which is hereby acknowledged and confessed, have released and discharged and do by these presents for ourselves, our heirs, assigns and personal representatives, release and forever discharge said Miami Oil Producers, Inc., its successors and assigns, of and from any and all claims, demands, actions, causes of action, accounts, sums of money, agreements, covenants, and proceedings whatsoever, whether now known or unknown in any manner claimed, owned, held or possessed by us, in our own right, individually, or jointly or severally with others, for temporary or permanent surface damage arising or occurring prior to the date of this agreement, to the hereinafter mentioned property situated in the County of Richland, State of Montana and more particularly described as follows:

A tract of not to exceed Fifteen (15) acres to be selected by Miami Oil Producers, Inc. and situated in the Southeast Quarter of the Northeast Quarter (SE¼NE¼) of Section Twenty-eight (28) Township Twenty-four (24) North, Range Fifty-seven (57) East.

The foregoing release is subject, however, to the following terms and conditions:

1. In addition to the sum hereinabove provided, which it is expressly agreed covers surface damage resulting from the entry upon said premises, Miami Oil Producers, Inc. shall pay to the undersigned the sum of One Hundred Fifty and No/100 ($150.00) Dollars per year payable annually in advance as compensation for loss of crop and grazing production of the premises used by said Company.

2. As a part of the consideration for this agreement, Miami Oil Producers, Inc. agrees to keep up and maintain in as good condition as now exists the present road leading from said premises North to Highway 201 and East to the Brorson turnoff.

3. Miami Oil Producers, Inc. shall fence both their drilling site and tank site with a good and sufficient four wire fence adequate to turn cattle and shall maintain at their own expense cattle guards or gates in said fence adequate to turn cattle. Such fence shall be located to the satisfaction of the undersigned and so as not to interfere unduly with his operation of the adjoining premises.

4. It is understood that this release shall not cover any future damage to said premises or any subsurface injury or damage to underground water strata or to any water wells, tanks, or streams situated on said premises, it being the intention of this release to cover only damages resulting from the entry upon said premises and compensation to the owner for loss of production of that portion of the premises occupied by Miami Oil Producers, Inc.

5. Upon the termination of drilling on said premises and the discontinuance of all operations thereon by Miami Oil Producers, Inc., such company agrees to remove from said premises alloof the supplies, equipment and machinery and at the option the owner to either maintain fence adequate to turn cattle around any sump which contains or may contain substances harmful to cattle

reliance upon any statement or representation by said Miami Oil Producers, Inc. or their representatives.

Witness our hands, this _____ day of _____, 19_____.

WITNESS:

_____

_____

_____

_____

State of Montana
OIL AND GAS LEASE

No. 18,324-77

THIS INDENTURE OF LEASE, entered into between the State of Montana, through its Board of Land Commissioners, hereinafter referred to as lessor, and the person, company or corporation herein named, hereinafter referred to as lessee, pursuant to the provisions of Chapter 17, Title 81, Revised Codes of Montana 1947, and all acts amendatory thereof and supplementary thereto, WITNESSETH:

The lessor, in consideration of the annual rentals herein stated, the receipt of which for the first year of this lease is hereby acknowledged, the royalties to be paid, and the covenants to be kept and performed by the lessee, hereinafter set forth, hereby grants, demises, leases and lets to the lessee, for the purpose of mining and operating for oil and gas, and of laying pipelines, building tanks, power stations, and other structures thereon necessary in order to produce, save, care for, dispose of and remove the oil and gas, all the lands herein described, as follows:

Date this lease takes effect: September 13, 1977

Name of Lessee: Farmers Union Central Exchange, Incorporated and Enserch Exploration, Inc.

Address: P. O. Box 126, Laurel, Montana 59044; 1817 Wood Street, Dallas, Texas 75201

Land located in Richland County.

Description of land: Township 23 North, Range 58 East
Section 16: All

Total number of acres, more or less 640, belonging to School Grant.

Annual rental, payable each year in advance: $33,280.00 first year; $960.00 each year thereafter.

This lease is granted for a primary term of ten years and so long thereafter as oil and gas in paying quantities shall be produced from the land, subject to all of the terms and conditions herein set forth, provided, however, that the extended term of this lease shall apply only to those formations discovered, developed or drilled during the primary term of ten years, and the interest of the lessee in the premises herein described shall thereafter be limited to such formations; provided further that if during the extended term of this lease, oil or gas in paying quantities is discovered in an offset well located on a contiguous section, in a new formation below the deepest formation in which oil or gas has been discovered under this lease but in or above the deepest formation to which the lessee drilled during the primary term, this lease shall terminate as to all formations below the deepest formation in which oil or gas has been discovered on the leased premises, unless, within sixty (60) days after the completion of such offset well, the lessee shall commence operations to test such a new formation.

IT IS MUTUALLY UNDERSTOOD, AGREED AND COVENANTED BY AND BETWEEN THE PARTIES TO THIS LEASE AS FOLLOWS:

1. The lessor expressly reserves the right to sell, lease, or otherwise dispose of any interest or estate in the lands hereby leased, except the interest conveyed by this lease. However, lessor agrees that sales, leases, or other dispositions of any interest or estate in the lands hereby leased shall be subject to the terms of this lease, and shall not interfere with the lessee's possession or rights hereunder.

2. The lessee shall pay to the lessor an annual money rental in the amount hereinabove stated being not less than one dollar and fifty cents ($1.50) for each acre of land held under this lease from year to year, provided, however, that the amount of such money rental so payable shall in no case be less than one hundred dollars ($100.00) per annum. The first year's rental shall be paid before the issuance of the lease. The rentals for each subsequent year of the lease shall be due and payable before the beginning of such subsequent year, and upon failure to make such payment the lease terminates.

3. The lessee shall pay in money or in kind to the lessor at its option as hereinafter provided during the full term of this lease in addition to the annual money rental hereinabove stated, a royalty, free of all costs and deductions, on the average production of the oil from the producing wells under this lease for each calendar month as follows:

A. On that portion of the average production of oil or casing head gasoline for each producing well not exceeding 3,000 barrels for the calendar month, twelve and one-half percentum (12½%).
B. On that portion of the average production of oil or casing head gasoline for each producing well exceeding 3,000 barrels but not exceeding 6,000 barrels for the calendar month, seventeen and one-half percentum (17½%).
C. On that portion of the average production of oil or casing head gasoline for each producing well exceeding 6,000 barrels for the calendar month, twenty-five percentum (25%).

4. The lessee shall also pay in money or in kind to the lessor at its option as hereinafter provided during the full term of this lease, free of costs and deductions, a royalty on the gas produced from the wells under this lease whether the wells produce oil and gas or gas alone, of twelve and one-half percentum (12½%).

5. The royalty on gas, including casing head gas and all gaseous substances, while the same is not sold or used off the premises shall be at the rate of four hundred dollars ($400.00) per well each year or the amount of the annual rental herein provided, in lieu of such per well rate, whichever is the greater, payable on or before the annual anniversary date of this lease, and as long as the lands leased hereunder contain a well capable of such production and such payment is made the lease shall be considered as a producing lease under the terms herein.

6. All wells under this lease shall be so drilled, maintained and operated as to produce the maximum amount of oil and/or gas which can be secured without injury to the wells and the aforesaid royalties shall be based and calculated on such full production of oil and/or gas. All royalties shall be calculated upon the total amount produced and saved under this lease exclusive of oil or gas used for light, fuel or operating purposes in connection with the work on the lands under the lease.

7. The lessee shall pay to the lessor in cash for such royalty oil and gas at the rate of the posted field price therefor existing on the day such oil or gas was run into any pipline or storage tank to the credit of the lessee plus any bonus or other increase in price actually paid or agreed to be paid to the lessee. At the option of the lessor exercised not oftener than once every thirty days by notice in writing the lessee shall deliver the State's royalty oil or gas free of cost or deductions into the pipeline to which the wells of the lessee may be connected or into any storage designated by the State and connected with such wells. The lessee shall not be required to furnish storage for the State's royalty oil for more than thirty (30) days following the date of production thereof when a market therefor is available.

8. In all cases where there is no posted field price for oil or gas produced under this lease, the payments in cash for the royalties payable hereunder shall never be less than the fair market value thereof, for oil, at the wells where produced on the day it is run into the pipeline or storage tanks, and for gas, at the well where produced on the day produced. It is agreed that helium gas, carbon dioxide gas, and all other natural gases are included under the term "gas" as used in this lease.

9. The lessor shall have a first lien upon all oil or gas produced from the lands leased hereunder, to secure the payment of all unpaid royalty and other sums of money that may become due under the terms herein.

10. Upon receiving the written consent of the lessor, the lessee shall have the right to commit the lands hereby leased to a pooling, unit, cooperative or other plan of development or operation with other State lands, Federal lands, privately-owned lands or Indian lands. Such agreements shall not change the percentage of royalties to be paid to the state from the percentages as fixed herein. Oil or gas produced from any lands included in such an agreement which encompasses the lands hereby leased are considered to be produced from the lands hereby leased.

11. If the land under this lease is "mortgaged land" acquired by the State in connection with a mortgage given to the State as security for a loan and such mortgage land has been sold by the State subsequent to July 1, 1927, and prior to February 26, 1929, the lessee shall pay directly to the holder of such land under certificate of purchase or other contract, or deed from the State, a royalty of one percentum (1%) of the oil and gas produced from such land to be calculated on the same basis and in the same manner as the royalty to be paid to the State, but the said royalty of one percentum shall be deducted from the royalty to be paid to the State so that such one percentum royalty does not increase the total royalty to be paid under this lease, and if such mortgage land was sold by the State subsequent to March 14, 1935, the lessee shall pay directly to the holder of such land under certificate of purchase or other contract or deed from the State, a royalty of six and one-fourth percentum (6¼%) of the oil and gas produced from such land to be calculated as hereinbefore specified.

12. Unless this lease is surrendered, is terminated by lessee's failure to pay rentals when due, or is terminated by the Board of Land Commissioners because of the failure of the lessee to comply with the express and implied covenants of this lease, the Board of Land Commissioners, in its discretion and as provided by law, cancel and terminate this lease upon the failure of the lessee (1) to commence within five (5) years of the effective date of this lease drilling of at least one well upon the leased premises of such depth as may be necessary to make a reasonable test for oil and gas, or (2) pay in advance a delay drilling penalty of one dollar and twenty-five cents ($1.25) per acre per year for the sixth year of the lease, and for the remainder of the primary term of the lease, such amount per acre per year as the Board may in its discretion, determine. The lessee shall notify the Department of the commencement of drilling of any well within five (5) days after the well is spudded in.

Following the termination of the fourth year of this lease, if the lessee drills a dry hole on the leased premises prior to discovery of oil or gas or if after discovery of oil or gas production thereof in paying quantities, ceases, the lease may be terminated by the Board unless the lessee (1) commences drilling of another well for oil and/or gas before the next anniversary date of the lease following the completion of the dry hole or cessation of production, or (2) on or before such anniversary date, begins or resumes the payment of delay drilling penalties.

If at the expiration of the primary term hereof oil or gas is not being produced from the lease premises in paying quantities, but the owner of the lease is then engaged in drilling on the premises for oil and gas, then the lease continues in effect so long as such drilling operations are being diligently prosecuted. If oil or gas is recovered from any such well drilled or being drilled at or after the expiration of the primary term hereof, the lease continues in effect so long as oil or gas in paying quantities is being produced from the leased premises.

[illegible] purposes of this lease dry holes is defined as a [illegible] or gas in paying quantities when completed.

13. Upon completion of a co[illegible]ially productive oil or gas well upon the lea[illegible] premises, the lessee shall proceed with reasonable diligence to drill such [illegible]tional wells to the depth of the formation for [illegible] especially productive, or to a lesser depth as may be necessary to economically test, develop and operate the deposits of [illegible] reasonably prudent operators, promptly and diligently drill to completion all wells necessary on the lands under this lease in order [illegible] to offset commercially producing oil or gas wells on contiguous lands.

14. In conducting all explorations, mining or drilling operations under this lease [illegible] the lessee shall exercise all reasonable care and precautions in order to prevent waste of oil and gas. The lessee shall also [illegible] all times use all reasonable care and precautions to prevent the entrance of water to the oil or gas bearing strata to the d[illegible]truction or injury thereof.

15. The lessee agrees to keep a correct log of each well drilled under this lease show[illegible] the formations passed through, the depth at which such formation was reached, the thickness of each formation, the water [illegible]ering formations and the character of water therein, the elevations to which the water rises, the number of feet of casing se[illegible] such well and where placed, its size and the total depth to which such well was drilled, and upon request, to file the log with t[illegible]partment of State Lands. When called upon to do so, the lessee shall also file progress reports with the Department before the [illegible]mpletion or abandonment of any we[illegible]

16. The lessee further agrees on or before the last day of each month to make a [illegible]port to the Department for operations covering the preceding calendar month, which report shall be in such form as the Depa[illegible]ment may prescribe and shall show the amount of oil or gas produced and saved during the preceding calendar month, the price [illegible]tained therefor, the total amount of all sales, whether any bonus or other increase in price was actually paid or agreed to be [illegible] and such additional information as may be required. Such report shall be signed by the lessee or by some responsible person [illegible]aving knowledge of the facts contained therein. The report shall be accompanied by payment of the amount due the State as [illegible]lty for the month covered by the report where payment is required in money in place of oil or gas.

When the lessee is required by the rules of the Oil and Gas Conservation Division [illegible] the Department of Natural Resources and Conservation to file a well completion report with that Division, lessee shall file a [illegible]opy of that report with the Department of State Lands.

17. Representatives of the lessor shall at all times have the right to enter upon the [illegible]anted premises and all parts thereof for the purpose of inspecting and examining the same, as well as supervising tests that they may deem necessary to ascertain the condition of the wells being drilled or about to be abandoned and gauging the productio[illegible] of producing wells. Representatives of the lessor shall also, at all reasonable hours, have free access to all books, accounts, records and papers of the lessee insofar as they contain information relating to the production obtained under this lease, the price obtained therefor, and the fair market value of the production. Lessor shall also have free access to agreements relating to production hereunder.

18. When the surface of the land leased hereby is owned or leased by someone other than the State of Montana, the lessee hereunder agrees to provide the surface owner or lessee with a plan for location of all facilities and consult with the surface owner or lessee regarding a reasonable location of access roads. In all operations on the land hereby leased, lessee agrees to interfere as little as possible with the use of the premises for any other purpose to which the same may be devoted by other persons to whom the land may have been leased or sold by the State. The lessee shall not drill any well upon the lands hereby leased, within two hundred feet (200') of any residence or barn now or hereafter erected thereon without the consent of the owner of such building. The lessee hereby agrees to make satisfactory adjustment with the owner or lessee of the surface, other than the State of Montana, for damages sustained by such surface owner or lessee by reason of the lessee's entry upon, use and occupancy of, the surface of the land. If amicable determination of damages can not be made between such surface owner or lessee and the lessee hereunder, then, upon the agreement of the surface owner or lessee to enter into arbitration, the damages to be paid to the surface owner or lessee shall be fixed by a board of arbitrators of three persons, to be appointed as follows: One by the owner or lessee of the surface who is claiming damages, one by the lessee hereunder, and the third by the two arbitrators so appointed. The lessee hereby agrees to make prompt payment of the damages awarded by such board of arbitrators.

In any case where the owner of the surface claims title under a "C" patent issued by the State of Montana, and demands that the Board fix, allow and pay the owner the reasonable value of any right of way established by the lessee hereunder, the department shall charge the cost of fixing the amount of damages to the lessee hereunder. The lessee hereunder shall pay the reasonable sum so fixed as damages to the Board, which will pay the surface owner.

19. The lessee may assign this lease either in whole or as to any regular subdivision thereof, embracing not less than forty (40) acres, to any qualified assignee, providing that such assignment shall not be binding upon the State until it has been filed with the Department of State Lands accompanied by the required fees. No assignment to two or more assignees will be approved until one of the assignees is designated to act as agent for the assignees.

20. The lessee shall have the right at the termination of any rental year, by giving at least thirty (30) days previous notice in writing to the Department of State Lands, to surrender and relinquish any legal subdivisions of the land hereby leased and thereupon be discharged from any obligation not theretofore accrued as to the lands so surrendered and relinquished. When this lease terminates as to any portion less than the whole of the lands covered hereby, because of the lessee's failure to pay rental when due, lessee agrees to submit to the lessor, within thirty (30) days after such termination, a written surrender and relinquishment of those lands.

21. It is understood and agreed that the lessor hereby reserves the right to declare this lease forfeited and to cancel the same through the Board of Land Commissioners upon failure of the lessee to fully discharge all the obligations provided herein, after written notice from the Board and reasonable time fixed and allowed by it to the lessee for the performance of any undertaking or obligation specified in such notice concerning which the lessee is in default. The lessee, upon written application therefor, shall be granted a hearing on any notice or demand of the Board before the lease shall be declared forfeited or cancelled. The provisions of this clause shall not in any way affect an automatic termination of this lease caused by lessee's failure to pay rental when due.

STATE OF MONTANA
COUNTY OF YELLOWSTONE } ss.

ACKNOWLEDGMENT (For use by Corporation)

On this 23rd day of November, A. D. 19 77, before me personally appeared D. J. Kull, to me personally known, who, being by me duly sworn, did say that he is the Asst. Secretary of Farmers Union Central Exchange, Incorporated, a corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said D. J. Kull acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 23rd day of November, A. D. 19 77.

(SEAL) PAULINE B. PEARSON
Notary Public for the State of Montana,
~~Residing at Billings, Montana.~~
My Commission Expires
My Commission expires February 1, 1980.

Notary Public.

the obligations of
may now have or
ssee be entitled to
title to the oil and
s simple estate in
shall be paid the
nd gas for which
onsent of this lease

successors, heirs,
duplicate and the
ers of the State of

STATE OF TEXAS

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, a Notary Public in and for [illegible]id County and State, on this day personally appeared D. W. RIEGER, [illegible]ICE PRESIDENT of Lasarch Exploration, Inc, a corporation, [illegible]n to me to be the person whose name is subscribed to the foregoing [illegible]strument, and acknowledged to me that he executed the same for the [illegible]rpose and consideration therein expressed, in the capacity therein [illegible]ted, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 30th day [illegible]ecember, A.D., 1977.

My Commission Expires:

[illegible] land [illegible]
idney, Montana. It consists of 25.00
he description of the land is Section 2
1/2 SW 1/4 SE 1/4 SW 1/4 of Township 25N Range 5
An Sept. of 1978, I was contacted by Mr.
Schilling. He told me Brownley, Wallace
Armstrong and Sander were going to
well on this property. I have no
ights on this land, I'm just the surf
owner. Mr. Schilling demanded the
ontract for this land. I went to h
n Sept. 15, 1978. That was my mistak
#1, but at the [illegible] I was operated
with the oil compa[illegible] [illegible]
d co operate with me. They told me
the courthouse [illegible] the
information they needed. They have
yet returned my contract. Kay Bro
Denver, Colorado, is the attorney for Bro
Wallace, Armstrong & Sander. I phoned h
his no. which is 1-800-525-3021 - also
for [illegible] and asked for my contra
he said he would get it, but at that time
was in Williston, North Dakota, on the
another attorney.
[illegible] contract,
[illegible] the matter
[illegible]

and should (in the alley where the well
he drilled. I did not like the idea of
illing the well on this site, as this is the
est part of my land. The Kom Drilling
ns very clearly this well site. I told
ooley that if they would drill about 100
est of this site, it would be on my neigh
ors, Satra's land, as they would be getting
hare out of the well, anyway. The land
joins mine on the west and south side.
Mr. Dooley replied, He told me that was
here the surveying fell and could not be
f-fset. I first told him that I did not care
n oil well on my land at all, he told
could get a court order and get on
wenty-four hours. He then asked
I had read the newspaper lately
I replied that had reference to Mr.
Fenoughs in the court case. I told Mr.
ooley that I didn't tell him to move on
and and I didn't tell him to stay off
moved on and starting drilling Saturday
fter this. Mr. Dooley told me we would
egotiate for the site and asked me what
thought would be fair. I said $20
aside, that we had no "no away" site.
ince they did not bid bil, they could
ist take on up the site and he
at have to pay me anything. He said
and it do this, as all other land owners
would want that as a precedent.

told him they make better use of his land owners and the oil company. He then (instead) asked for $25.00 for the first year and $10.00 a year for every year after that, so he raised up about five to ten times as much and on this pattern. He said he didn't think they could do that. They made a good settlement with my neighbors, Satra, on the road. They built on land, but they have expended more of land and have not even tried to get fairly with me. When Mr. Dailey negotiated with Mrs. Satra for a road through her which only amounted to a fraction of an acre, he offered them $50.00 cash for the first year and $10.00 a year for every as the road is used.

They could be drilling in front of me and for many years to come. It is to be in my own fair that they did not come with me to my farm they started drilling they have struck oil and I have not.

I was told that Halliday, Brownlee, Armstrong and Sandis have sold "Mexican Oregon" (9 to 10 thousand feet deep) and have not farmed out the "Red River" horizon 12 to 13 thousand feet deep.

I understand the driller was discharged by Mr. Keating because of the time the which was farmed out to Brownlee, Halladay, Lynd

Form CS-14
-79

NAME [illegible] BILL No. [illegible]

ADDRESS [illegible] DATE [illegible]

WHOM DO YOU REPRESENT Self

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I have no mineral rights on my farm. I believe this will help [illegible] the [illegible].

I have [illegible] where they [illegible] the minerals and the [illegible] land that [illegible] the land. Therefore I believe they give more than we are taking.

Thank you very much for hearing this testimony.

[illegible]

orm CS-14
79

NAME J. Kermit Wilson BILL NO. 292

ADDRESS Rt 1 Box 1534 Sidney, NE 69162 DATE 2-4

WHOM DO YOU REPRESENT Self

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Do should not pass [illegible]

Testimoney of

J. Kermit Petersen
Rt.1-153A
Sidney, Montana 59270
in regards to a 2½% override interest to all landowners with oil wells on their property

A few years back I purchased the NE quarter of Section 20 from Eve Putman, Ruth B. Jensen and Naomi Sherlock. These 3 sisters had this section of land leased for oil and gas to Brinkerhoff Drilling Co.

In September, 1976, Brownlie, Wallace, Armstrong, and Bander drilled a sudcessful oil well and built a road leading to the well site. Approximately 5 acreas of my uncultivated grassland was taken out of production. I was offered $500. for surface damages as a gesture of their good will (see letter-Sept. 10,1976) even though they stated that they are not obligated to pay anything. I declined their $500. offer and wondered what I should do next. I d declined this offer because this land is located beside a paved road and only 2 miles from Sidney. I had previously been offered $1000. an acre as homesite potenials. Now I wonder who would like to live by this well and put up with the smell and noise it makes?

Brownlie, Wallace, Armstrong, and Bander built their second successful oil well on our property in Feb. 1977 (Known as 20-21) and ¼ mile graveled road leading to it. They again took approximately 5 acras for the site and the road acreage is unknown. There was never even an offer of paying any surface damages.

Now the first well was drilled in Sept. 1976, the second in Feb. 1977. Three years later on January 23, 1979 I was again offered compensation for damages. A sum of $2500. for both sites. I can not help think this awa offered because of their anticipation of the landowner bill being passed and they had not yet settled for surface damages on their oil well sites.

The third site Brownlie, Wallace, Armstrong, and Bander built on my property is known as (20-13X). Ireceived and accepted a payment for this site on May 2, 1978. In order for me to get this payment, I threatened them with an inconvenient and costly road.

The fourth site Brownlie, Wallace, Armstrong and Bander is in the process of being drilled now. It is located on the highway between Sidney and Fairview, approximately 2 miles ~~from~~ Sidney. This is irrigated land and I have been offered $2500. for damages. This site like all the others may be here for years, taking valueable land out of production. I don't feel this is even a reasonable offer.

The overriding interest on Petersen 20-21 is 5.251%. On the Petersen 20-13X it is 5.227%. These overriding interests is what Ray Duncan was willing to give out for a working of the lease. This is without any xcost of production to these individuals.

I would like to say that the landowner should receive adequate compensation for putting their land out of production because the expenses still exist such as the land payment, taxes, and general upkeep. We also have to face the inconvenience of having to put up with the smell, noises and trespassers on our property.

BROWNLIE, WALLACE, ARMSTRONG & BANDER
1660 Lincoln – Suite 1420
Denver, Colorado 80264
(303) 861-2576

May 2, 1978

Mr. Kermit J. Petersen
R.R.
Sidney, Montana 59270

Re: #20-13X Petersen
C SW Sec. 20, T23N, R59E
Richland County, Montana

Dear Mr. Petersen:

Enclosed is our check for $1250.00 to cover road access and well site (if production is obtained) damages involved in the drilling of the above well.

Please sign and return one copy of the enclosed Receipt and Release. The other copy is for your file.

Very truly yours,

Jim Wallace
James B. Wallace

JBW:bv

Enclosures - noted

P.S. I enjoyed talking with you this noon and will look forward to seeing you next month.

RECEIPT AND RELEASE

RECEIVED of Brownlie, Wallace, Armstrong & Bander the sum of $ 2,000.00 paid by Check No. 3653 dated December 26, 1978 in full settlement of all damages and claims for damages connected with or arising out of Brownlie, Wallace, Armstrong & Bander operations upon the following described property, to-wit:

Access Road and Approximate 3 acre location
for 36-14 State:
Township 24 North, Range 59 East
Section 36: SW/4 SW/4
Richland County, Montana

including all claims of the undersigned for damages to said land. In the event 36-44 State results in production of oil or gas, Brownlie, Wallace, Armstrong & Bander agree to pay the undersigned an additional $2,000.00 damages (this consideration to specifically cover settlement for location and access road to well, tank battery site and access road to tank battery) and the improvements, crops, trees and waters thereon, caused by, incident to or connected with the operation of said premises, and in consideration of the payment of said amounts, the undersigned releases Brownlie, Wallace, Armstrong & Bander from all such claims and demands for damages.

SIGNED this _____ day of _____, 19_____.

_____

Social Security No._____

Mailing Address:_____

_____

WITNESS:

_____

BROWNLIE, WALLACE, ARMSTRONG & BANDER
555 Seventeenth Street, Suite 3300
Denver, Colorado 80202
Phone (303) 825-1900

January 23, 1979

Mr. Kermit J. Petersen
Route #1, Box 153 A
Sidney, Montana 59270

Re: #1 Eva Putnam
NE NE Sec. 20, T23N, R59E
Richland County, Montana

Petersen #20-21
NE NW Sec. 20, T23N, R59E
Richland County, Montana

Dear Mr. Petersen:

Enclosed are two (2) copies each of Surface Damage Agreements on the above well locations. Would you please execute these agreements and return one (1) copy of each to us in the enclosed stamped, self-addressed envelope.

Also enclosed is our check No. 3759 in the amount of $2,500.00 which is payment for any surface damages which have or may occur on these well sites.

Thank you for your cooperation in this matter.

Sincerely,

BROWNLIE, WALLACE ARMSTRONG & BANDER

Carole Ann Rieker

(Miss) Carole Ann Rieker
Production Secretary

/car

Enclosures

BANDER OIL COMPANY
1660 Lincoln – Suite 1420
Denver, Colorado 80203
(303) 893-0554

September 10, 1976

Mr. J. Kermit Petersen
R.R.
Sidney, Montana

Re: Brownlie, Wallace, Armstrong & Bander
#1 Eva Putnam
Richland County, Montana

Dear Mr. Petersen:

Our production engineer, Mr. Bill Banks, has informed me that he made contact with you recently while in Sidney in an attempt to settle surface damages with you for the above noted well and that you reached no agreement.

I was flabbergasted when Bill told me that you had asked that we pay you $10,000.00 or some equally ridiculous figure for surface damages, and it is apparent that you are not familiar with our obligations under the terms of the Oil and Gas lease which we have on the drillsite. In order that you may know what our obligations are concerning surface damages I am enclosing a copy of the Oil and Gas lease and have underlined that obligation in red. You will also note in the first paragraph of the lease that we have the right to explore on said lands. Consequently, since the drillsite falls on uncultivated land and there are no growing crops, we actually are not obligated to pay you anything. We realize, however, that it has become a generally accepted practice to pay some amount of money in the form of surface damages. Therefore, as a matter of goodwill, we are willing to pay you a sum of $500.00 and herewith enclose our check for this amount.

Very truly yours,

J. H. Bander

JHB:sjh

Encl.

Producers 88 1959

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 13th day of March, 1969, by and between Eva Putnam, Eve Putnam, a single woman, Ruth B. Jensen and Naomi Sherlock, both married women, dealing in their own rights, of 6323 Xerxes S., Minneapolis, Minn., hereinafter called lessor (whether one or more) and Brinkerhoff Drilling Company, Incorporated, 870 Denver Club Bldg., Denver, Colorado, hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of $10.00 and More cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in the County of Richland, State of Montana, described as follows, to-wit:

Township 23 North, Range 59 East, M.P.M.

A Section 20: NE/4
Section 21: E/2SW/4, N/2NW/4SW/4, and all that part of the SE/4, lying North and West of the Glendive-Mondak State Road

of Section XXX, Township XXX, Range XXX, and containing 378.77 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:

(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of the lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the Richland National Bank at Sidney, Montana, or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of Three Hundred Seventy Eight and 77/100---------- DOLLARS ($ 378.77) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in a National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time an from time to time as a recurring right, either before or after production as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate or the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease, such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, pots, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for damages caused by his operation to growing crops on said lands.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of instruments of title evidencing title to lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts at any time may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein reserved.

RECEIPT AND RELEASE

RECEIVED of Brownlie, Wallace, Armstrong & Bander the sum of $ 1,250.00 paid by Check No. 3759 dated January 23, 1979 in full settlement of all damages and claims for damages connected with or arising out of Brownlie, Wallace, Armstrong & Bander operations upon the following described property, to-wit:

Petersen #20-21
NE NW Sec. 20, T23N, R59E
Richland County, Montana

including all claims of the undersigned for damages to said land (this consideration also specifically covers settlement for access road to well, tank battery site and access road to tank battery) and the improvements, crops, trees and waters thereon, caused by, incident to or connected with geological exploration and the drilling and operation of said premises, and in consideration of the payment of said amount, the undersigned releases Brownlie, Wallace, Armstrong & Bander from all such claims and demands.

SIGNED this _____ day of _____, 19____.

_____
KERMIT J. PETERSEN

Social Security No. _____

Mailing Address: _____

_____

WITNESS:

_____

RECEIPT AND RELEASE

RECEIVED of Brownlie, Wallace, Armstrong & Bander the sum of $ 1,250.00 paid by Check No. 3759 dated January 23, 1979 in full settlement of all damages and claims for damages connected with or arising out of Brownlie, Wallace, Armstrong & Bander operations upon the following described property, to-wit:

#1 Eva Putnam
NE NE Sec. 20, T23N, R59E.
Richland County, Montana

including all claims of the undersigned for damages to said land (this consideration also specifically covers settlement for access road to well, tank battery site and access road to tank battery) and the improvements, crops, trees and waters thereon, caused by, incident to or connected with geological exploration and the drilling and operation of said premises, and in consideration of the payment of said amount, the undersigned releases Brownlie, Wallace, Armstrong & Bander from all such claims and demands.

SIGNED this _____ day of _____, 19____.

_____
KERMIT J. PETERSEN

Social Security No._____

Mailing Address:_____

_____

WITNESS:

_____

RECEIPT AND RELEASE

RECEIVED of BROWNLIE, WALLACE, ARMSTRONG & BANDER the sum of $ 1250.00 paid by Check No. 2823 dated May 2, 1978 in full settlement of all damages and claims for damages connected with or arising out of #20-13X Petersen drilling operations upon the following described property, to-wit:

C SW¼ Section 20, T23N, R59E
Richland County, Montana

including all claims of the undersigned for damages to said land (this consideration also specifically covers settlemant for access road to well, tank battery site and access road to tank battery) and the improvements, crops, trees and waters thereon, caused by, incident to or connected with geological exploration and the drilling and operation of said premises, and in consideration of the payment of said amount, the undersigned releases BROWNLIE, WALLACE, ARMSTRONG & BANDER from all such claims and demands.

SIGNED this _____ day of _____, 19____.

_____

Kermit J. Petersen

Social Security No. _____

Mailing Address: R.R.

Sidney, Montana 59270

WITNESS:

_____

DIVISION ORDER

WFE:gs

D: WESTERN CRUDE OIL, INC.
P. O. Box 5568
Denver, Colorado 80217

Lease No. 15746

Date June 21, 1977

The undersigned, and each of them, guarantee and warrant that they are the legal owners of their respective interests, in e proportions hereinafter stated, in all oil produced and saved from the BANDER OIL COMPANY - PETERSON 20-21 lease, ocated in Richland County, State of Montana, described as:

W/4 Section 20, T23N, R59E, M.P.M.

Effective at 7:00 A.M. Date of First Oil Run, and until further written notice, you are authorized o receive all such production, for your own purchase or for resale, to receive payment therefor, to give credit for all proceeds erived therefrom and pay therefor as follows:

WNER NO.	CREDIT TO	DIVISION OF INTEREST
	FOR DIVISION OF INTEREST SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.	

All covenants appearing on the reverse side hereof are incorporated herein by reference and the undersigned agree that h shall be deemed and considered an essential part of this division order in like manner and with the same effect as if printed above our signatures.

SIGNATURE OF WITNESS	SIGNATURE OF OWNER	SOCIAL SECURITY OR TAX I.D. NUMBER
	X	X

MAIL CHECKS TO FOLLOWING ADDRESS: X

DIVISION ORDER

WFE/skf NEW

TO: WESTERN CRUDE OIL, INC.
P. O. Box 5568
Denver, Colorado 80217

Lease No. 15788

Date February 1, 1979

The undersigned, and each of them, guarantee and warrant that they are the legal owners of their respective interests, in the proportions hereinafter stated, in all oil produced and saved from the

BROWNLIE, WALLACE, ARMSTRONG & BANDER - 20-13X PETERSON lease,

located in Richland County, State of Montana, described as:

SW/4 Section 20,T23N,R59E*

*Interest limited to depths down to and including 9,296 feet

Effective at 7:00 A.M. Date of First Oil Run, and until further written notice, you are authorized to receive all such production, for your own purchase or for resale, to receive payment therefor, to give credit for all proceeds derived therefrom and pay therefor as follows:

OWNER NO.	CREDIT TO	DIVISION OF INTEREST

* FOR DIVISION OF INTEREST SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

WFE

All covenants appearing on the reverse side hereof are incorporated herein by reference and the undersigned agree that ach shall be deemed and considered an essential part of this division order in like manner and with the same effect as if printed above our signatures.

SIGNATURE OF WITNESS	SIGNATURE OF OWNER	SOCIAL SECURITY OR TAX I.D. NUMBER
X	X	X
X		

MAIL CHECKS TO FOLLOWING ADDRESS: X

EXHIBIT "A

LEASE NO. 15746

ER NO.	CREDIT TO	DIVISION OF INTEREST	
	ROYALTY INTEREST		
381	Kermit J. Petersen	1/4 of 1/8	.0312500
382	Kathryn A. Petersen	1/4 of 1/8	.0312500
383	Anna Petersen	1/4 of 1/8	.0312500
384	American Metal Company, Ltd.	3.79347% of 1/8	.0047418
385	Climax Molybdenum Company	3.79347% of 1/8	.0047418
386	Herbert D. Hadley	0.84299% of 1/8	.0010537
387	Charles W. Austin	0.17562% of 1/8	.0002195
388	Midland National Bank of Billings, Trustee	0.43906% of 1/8	.0005488
389	Midland National Bank of Billings	0.43906% of 1/8	.0005488
390	Herman S. Brown and Gladys M. Brown	8.81191% of 1/8	.0110150
391	B. V. Bock	1.04000% of 1/8	.0013000
392	W. J. Levy	0.09563% of 1/8	.0001195
393	Philip F. Vineberg and Irving Levitt	0.66943% of 1/8	.0008368
394	Albermont Petroleums Incorporated	1.14759% of 1/8	.0014345
5	Petrol Structors Limited	2.04405% of 1/8	.0025551
396	Ada L. Davis	1.70772% of 1/8	.0021347

ER NO.	CREDIT TO	BEFORE PAYOUT	AFTER PAYOUT	TYPE OF INTEREST
757	Harmon R. Pigg	.0200000	.0200000	ORI
397	John M. Parker	-0-	.0275000	ORI
549	Paul D. Hess	.0100000	.0050000	ORI
760	Walter Duncan	.0156250	-0-	ORI
		-0-	.1068750	WI
362	Raymond T. Duncan	.0156250	-0-	ORI
		-0-	.1068750	WI
361	Vincent J. Duncan	.0156250	-0-	ORI
		-0-	.1068750	WI
360	J. Walter Duncan, Jr.	.0156250	-0-	ORI
		-0-	.1068750	WI
433	Tom Brown, Inc.	.3912500	.1975000	WI
3	Bill D. Saxon	.1858435	.0938125	WI
99	W. R. Sibley, Jr.,M.D.	.0097813	.0049375	WI
396	Ray O. Brownlie	.0489063	.0246875	WI
4	James B. Wallace	.0489063	.0246875	WI
395	Jerry D. Armstrong	.0489063	.0246875	WI
105	J. H. Bander	.0489063	.0246875	WI

NOTE: THIS EXHIBIT HAS BEEN MADE PART OF THIS DIVISION ORDER AND SHOULD NOT BE REMOVED!

EXHIBIT "A"

LEASE NUMBER 15788

ER	CREDIT TO	ROYALTY INTEREST	DIVISION OF INTERES
883	Anna Petersen	1/3 of (1/8 of 155.5/160 less 193.545/774.18 of 12 1/2% of 155.5/160)	.0303711
526	Kathryn A. Petersen	1/3 of (1/8 of 155.5/160 less 193.545/774.18 of 12 1/2% of 155.5/160)	.0303711
881	Kermit J. Petersen	1/3 of (1/8 of 155.5/160 less 193.545/774.18 of 12 1/2% of 155.5/160) less 1/3 of (1/8 of .61/160 less 193.545/774.18 of 12 1/2% of .61/160)	.0302518
527	Vera Seliger	1/3 of (1/8 of .61/160 less 193.545/774.18 of 12 1/2% of .61/160)	.0001191
092	Sun Oil Company	1/4 of 4.5/160	.0070313
884	American Metal Company, Ltd.	45% of 40/474.5 of 12 1/2% of of 155.5/160	.0046085
885	Climax Molybdenum Company	45% of 40/474.5 of 12 1/2% of 155.5/160	.0046085
886	Herbert D. Hadley	10% of 40/474.5 of 12 1/2% of 155.5/160	.0010241
887	Charles W. Austin	1/6 of 5/474.5 of 12 1/2% of 155.5/160	.0002133
888	Midland National Bank of Billings, Montana, Trustee	5/12 of 5/474.5 of 12 1/2% of 155.5/160	.0005334
0553	Jean C. Gay	5/12 of 5/474.5 of 12 1/2% of 155.5/160	.0005334

TE: THIS EXHIBIT IS MADE A PART OF THIS DIVISION ORDER AND SHOULD NOT BE REMOVED !

EXHIBIT "A"

LEASE NUMBER 15788

NER O.	CREDIT TO		DIVISION OF INTERE
	ROYALTY INTEREST CONTINUED		
890	Herman S. Brown and Gladys M. Brown	41.8125/474.5 of 12 1/2% of 155.5/160	.0107051
892	W. J. Levy	2.8/2927.88 of 12 1/2% of 155.5/160	.0001162
893	Philip F. Vineberg and Irving Levitt	19.6/2927.88 of 12 1/2% of 155.5/160	.0008132
528	Albermont Petroleums Incorporated	155.5/474.50 of 10.6042 less 22.4/2927.88 of 12 1/2% of 155.5/160	.0017856
895	Petrol Structors Ltd.	155.5/474.50 of 11.2083	.0028696
896	Ada L. Davis	155.5/474.50 of 10.0	.0025603
	OVERRIDING ROYALTY INTEREST		
0757	Harmon R. Pigg	155.5/160 of 2% of 8/8	.0194375
4161	D-T Company	155.5/160 of 2% of 50% of 8/8	.0097188
2649	Paul D. Hess	2/3 of 50% of 1% of 8/8	.0033333
3259	Duane E. Moredock	1/3 of 50% of 1% of 8/8	.0016667
9897	John M. Parker	155.5/160 of 50% of 5.5% of 8/8	.0267266
11	William R. Banks	4.5/160 of 1/3 of 1/2 of 1/4 of 1%	.0000117
812	Ellen H. Cantril	1/3 of 1/2 of 1/4 of 1%	.0004167
0813	Sylvia L. Hansen	1/3 of 1/2 of 1/4 of 1%	.0004167
3258	Alfred W. Dooley	1/3 of 1/2 of 1/4 of 1%	.0004167

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EXHIBIT "A"

LEASE NUMBER 15788

..R D.	CREDIT TO		DIVISION OF INTEREST
		WORKING INTEREST	
760	Walter Duncan	12.5% of 4.5/160 of 3/4 and 6.25% of 155.5/160 of 7/8 less 6.25% of 155.5/160 of 4% of 8/8	.0533564
862	Raymond T. Duncan	12.5% of 4.5/160 of 3/4 and 9.375% of 155.5/160 of 7/8 less 9.375% of 155.5/160 of 4% of 8/8	.0787163
164	Vincent J. Duncan	12.5% of 4.5/160 of 3/4 and 12.5% of 155.5/160 of 7/8 less 12.5% of 155.5/160 of 4% of 8/8	.1040762
165	J. Walter Duncan, Jr.	12.5% of 4.5/160 of 3/4 and 12.5% of 155.5/160 of 7/8 less 12.5% of 155.5/160 of 4% of 8/8	.1040762
3206	Electra Energy Company	9.375% of 155.5/160 of 7/8 less 9.375% of 155.5/160 of 4% of 8/8	.0760796
0433	Tom Brown, Inc.	25.00% of 4.5/160 of 3/4 and 25.00% of 155.5/160 of 7/8 less 25% of 155.5/160 of 2% of 8/8 less 25% of 1% of 8/8 less 25% of 5.5% of 155.5/160 of 8/8	.1971484
6434	Bill D. Saxon	10.00% of 4.5/160 of 3/4 and 10% of 155.5/160 of 7/8 less 10% of 155.5/160 of 2% of 8/8 less 10% of 1% of 8/8 less 10% of 5.5% of 155.5/160 of 8/8	.0788594
0899	W. R. Sibley, Jr., M.D.	2.50% of 4.5/160 of 3/4 and 2.5% of 155.5/160 of 7/8 less 2.5% of 155.5/160 of 2% of 8/8 less 2.5% of 1% of 8/8 less 2.5% of 5.5% of 155.5/160 of 8/8	.0197148

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EXHIBIT "A"

LEASE NUMBER 15788

'ER ..	CREDIT TO		DIVISION OF INTERE
	WORKING INTEREST CONTINUED		
396	Ray O. Brownlie	3.125% of 4.5/160 of 3/4 and 3.125% of 155.5/160 of 7/8 less 3.125% of 155.5/160 of 2% of 8/8 less 3.125% of 1% of 8/8 less 3.125% of 5.5% of 155.5/160 of 8/8 less 1/4 of 1/2 of 1/4 of 1% of 155.5/160 less 1/4 of 1/3 of 1/2 of 1% of 4.5/160	.0243281
394	James B. Wallace	3.125% of 4.5/160 of 3/4 and 3.125% of 155.5/160 of 7/8 less 3.125% of 155.5/160 of 2% of 8/8 less 3.125% of 1% of 8/8 less 3.125% of 5.5% of 155.5/160 of 8/8 less 1/4 of 1/2 of 1/4 of 1% of 155.5/160 less 1/4 of 1/3 of 1/2 of 1% of 4.5/160	.0243281
1395	Jerry D. Armstrong	3.125% of 4.5/160 of 3/4 and 3.125% of 155.5/160 of 7/8 less 3.125% of 155.5/160 of 2% of 8/8 less 3.125% of 1% of 8/8 less 3.125% of 5.5% of 155.5/160 of 8/8 less 1/4 of 1/2 of 1/4 of 1% of 155.5/160 less 1/4 of 1/3 of 1/2 of 1% of 4.5/160	.0243281
0105	J. H. Bander	3.125% of 4.5/160 of 3/4 and 3.125% of 155.5/160 of 7/8 less 3.125% of 155.5/160 of 2% of 8/8 less 3.125% of 1% of 8/8 less 3.125% of 5.5% of 155.5/160 of 8/8 less 1/4 of 1/2 of 1/4 of 1% of 155.5/160 less 1/4 of 1/3 of 1/2 of 1% of 4.5/160	.0243281

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Form CS-14
79

NAME John Robinson BILL No. 792

ADDRESS Silver Springs

DATE

WHOM DO YOU REPRESENT Smith Creek Water Company

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

This Bill was discussed before our Annual meeting. It received unanimous support. Smith Creek members are all land owners - some with mines, right some with out.

TESTIMONY ON HB 792
DON L. ALLEN
MONTANA PETROLEUM ASSOCIATION
A DIVISION OF THE
ROCKY MOUNTAIN OIL AND GAS ASSOCIATION

FEBRUARY 20, 1979

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE MY NAME IS DON ALLEN, REPRESENTING THE MONTANA PETROLEUM ASSOCIATION, A DIVISION OF THE ROCKY MOUNTAIN OIL AND GAS ASSOCIATION. THIS ASSOCIATION'S MEMBERS INCLUDE INDEPENDENT OIL OPERATORS, MEDIUM-SIZED EXPLORATION COMPANIES, AND MAJOR PETROLEUM FIRMS

Is there a fiscal note?

A WORD ABOUT THE IMPORTANT LINK BETWEEN THE OIL AND GAS INDUSTRY AND THE AGRICULTURE INDUSTRY. AN AVERAGE HOUSEHOLD IN AN UNINCORPORATED AREA USES 1,000 GALLONS OF GASOLINE ANNUALLY, COMPARED TO 700 GALLONS PER HOUSEHOLD IN AN INCORPORATED AREA.

HOW IS THIS ENERGY USED? THE PROCESSING OF FOOD AND OTHER PRODUCTS ACCOUNTED FOR 28%; FARM PRODUCTION TOOK ANOTHER 22%; INPUT MANUFACTURING REQUIRED 20%; MARKETING AND DISTRIBUTION, 18%; and FARM FAMILY LIVING, 12%.

IN CROP AND LIVESTOCK PRODUCTION, FUEL FOR FARM VEHICLES AND MACHINERY--COMBINES, TRACTORS, ETC. -- ACCOUNTS FOR ABOUT 80% OF ENERGY USE ON THE FARM. THROUGHOUT THE FOOD AND FIBER SECTOR, PETROLEUM IS USED EXTENSIVELY IN THE FORMS OF FERTILIZER OR PESTICIDE, IN THE DRYING PROCESS OR TO POWER IRRIGATION SYSTEMS.

LET'S LOOK AT SOME OF THESE AGRICULTURAL USES OF ENERGY IN DETAIL:

FIRST, 450 BILLION CUBIC FEET OF NATURAL GAS IS USED ANNUALLY IN THE PRODUCTION OF NITROGEN FERTILIZER. FROM 1940 TO 1974, USE OF FERTILIZERS IN THE UNITED STATES INCREASED FROM 8.7 MILLION TO 47 MILLION SHORT TONS PER YEAR. TODAY MANY EXPERTS BELIEVE THAT 30% OF U.S. FARM PRODUCTION CAN BE ATTRIBUTED TO FERTILIZER.

SECOND, PETROLEUM DERIVATIVES FROM PROPANE, BUTANE AND NAPHTHA ARE FORMULATED INTO THE THREE MAIN CHEMICAL PESTICIDES USED BY FARMERS: INSECTICIDES, HERBICIDES AND FUNGICIDES. CONTROL OF DISEASE ORGANISMS, INSECTS AND WEEDS DEPEND ON THE

USE OF 300 BASIC PESTICIDE CHEMICALS--MANY OF THEM PETROLEUM BASED. ABOUT 500,000 GALLONS OF PETROLEUM A DAY ARE USED IN THE FORMULATION OF PESTICIDES.

A THIRD USE OF ENERGY IS IN IRRIGATION, ESPECIALLY IMPORATNT IN THE WESTERN STATES. PRESSURIZED DISTRIBUTION SYSTEMS ARE THE MOST EFFECTIVE AND THE MOST ENERGY INTENSIVE. PUMPING WATER FROM WELLS ALSO REQUIRES ENERGY USE. APPROXIMATELY 6 MILLION GALLONS A DAY OF OIL-EQUIVALENT ENERGY IS USED IN IRRIGATION.

FOURTH-CROP DRYING TO REDUCE BAD WEATHER LOSSES REQUIRES OVER 4 MILLION GALLONS OF OIL-EQUIVALENT DAILY.

TIMING IS A CRUCIAL ASPECT OF AGRICULTURAL ENERGY USE. FERTILIZER AND PESTICIDES MUST BE AVAILABLE AT A CERTAIN TIME OF YEAR. IRRIGATION CANNOT BE POSTPONED.

AS A BACKDROP ~~TO CONDENSING~~ TO CONSIDERING THIS LEGISLATION, I THINK IT WOULD BE HELPFUL TO TAKE A QUICK LOOK AT THE ENERGY SITUTAION IN TODAY'S WORLD AND EXAMINE HOW MONTANA FITS INTO THAT POSITION.

THE U.S. IS IMPORTING OVER 42% OF ITS CRUDE OIL, COMPARED TO ABOUT 1/3 AT THE TIME OF THE 1973 ARAB EMBARGO. THE OVER $46 BILLION COST FOR THAT OIL LAST YEAR PLAYED A BIG ROLE IN A WORSENING ECONOMIC SITUATION IN THIS COUNTRY. THE DOLLARS SPENT FOR IMPORTED OIL LAST YEAR ALONE COULD HAVE PAID THE WAGES OF OVER 2 MILLION AMERICAN WORKERS AND BUILT OVER 700,000 NEW HOMES.

34 OF THE STATE'S COUNTIES HAVE PRODUCED OIL AND GAS SINCE THE FIRST PRODUCED GAS AND OIL CONSECUTIVELY IN 1915 and 1916. IT RANKS 20TH IN THE U.S. IN GAS PRODUCTION AND 14TH IN OIL WITH 1.1% OF THE U.S. PRODUCTION.

MONTANA IMPORTS OVER 40% OF THE OIL TO RUN ITS SIX REFINERIES AT A PREMIUM OF $2.00 PER BARREL OVER WORLD PRICES FOR THAT OBTAINED ON EXCHANGES FROM CANADA. THAT TRANSLATES INTO AN EXTRA COST OF 6¢ PER GALLON OF GASOLINE TO MONTANA'S CONSUMERS-FROM OIL WE OBTAIN BY EXCHANGES VERSUS THAT BEING PRODUCED IN MONTANA. INCIDENTALLY THE PRODUCTS MADE IN THE SIX REFINERIES FUEL THE [illegible] OF MOTNANA, THAT ARE [illegible] TO [illegible] ECONOMY OF THE STATE--NOT THE LEAST OF WHICH IS AGRICULTURE. CANADA HAS RECENTLY EXTENDED THE CUTOFF DATE [illegible] EXPORTS OF LIGHT CRUDE OIL UNTIL THE END OF 1981.

THE $2.16 PER MCF FOR NATURAL GAS WE PAY THE CANDIANS ALSO RESULTS IN HIGHER FUEL COSTS FOR MONTANA'S CITIZENS ALTHOUGH OUR OWN PRODUCERS ARE NOT RECEIVING NEAR THAT PRICE FOR GAS PRODUCED IN MONTANA.

MONTANA UNFORTUNATELY HAS LONG CONVEYED A DISTINCT MESSAGE TO OUR INDUSTRY THAT THEY WERE NOT NECESSARILY WELCOME OR IF THEY DO WANT TO PRODUCE OIL AND GAS THEY MUST PAY A PREMIUM. OTHERWISE, WHY - THE HIGHEST TAXES OF ALL THE STATES INCLUDING ALASKA: - THE HIGHEST COSTS FOR LEASING LANDS? (5TIMES NEIGHBORING STATES)

PROOF OF THE RESULTS OF THE STATE'S ATTITUDE CAN EASILY BE OBSERVED BY

-FEWER RIGS RUNNING THAN ANY OTHER STATE IN THE REGION; - LESS INCREASE IN TOTAL OIL AND GAS ACTIVITY THAN NEIGHBORING STATES; - OIL PRODUCTION OFF AGAIN

30,280,800 bbls - 1978

32,680,054 bbls - 1977

- natural gas production down

47.13 MCF - 1978

47.23 MCF - 1977

ALTHOUGH PRICES HAVE BEEN CONTROLLED SINCE AGUST 1971, THE GRADUAL PRICE INCREASES ALLOWED UNDER FEDERAL LEGISLATION HAS SPURRED MORE LEASING AND DRILLING. BUT MONTANA IS STILL LAGGING BEHIND. A BOOM IN THE MON-DAK FIELD IS OCCURRING AND SOME OF MONTANA'S EAST SIDE IS IN THIS HIGHLY POTENTIAL AREA.

THOSE APPEARING HERE TODAY IN SUPPORT OF THIS BILL HAVE SOME LEGITIMATE COMPLAINTS BUT THE BAD HAS BEEN OVER EMPHASIZED. I HAVE WORKED VERY HARD AND CONTINUOUSLY FOR THE LAST 3½ YEARS TO IMPROVE THE DIALOG BETWEEN THE OIL AND GAS INDUSTRY AND THE LAND AND MINERAL OWENRS. WE CERTAINLY AGREE THAT FAIR COMPENSATION BE PAID TO THE SURFACE OWNER FOR DAMAGES TO THE CROPS AND OTHER LOSSES SUSTAINED. HOWEVER MONTANA LAW IS VERY CLEAR ABOUT THE RIGHTS OF THE MINERAL OWNER TO HAVE ACCESS TO MINERALS AND TO PRODUCE THEM. MOST OF THE INDEPENDENTS AND COMPANIES EXPLORING FOR AND PRODUCING OIL AND GAS DO A GOOD JOB AND DO PAY FAIR AMOUNTS TO COMPENSATE FOR DAMAGES. SO WHY THROW THE BABY OUT WITH THE WASH?

MR CHAIRMAN, MEMBERS OF THE COMMITTEE, OTHER INDUSTRY SPOKESMEN WILL ADDRESS SPECIFIC CONCERNS WITH THIS BILL AND ITS NEGATIVE IMPACTS BUT I WANT TO JUST BRIEFLY TOUCH ON A COUPLE OF POINTS.

FIRST OF ALL IT IS IRONIC THAT THOSE ~~SMAE~~ SOME STURDY STALWARTS OF THE LAND WHO HAVE DONE SUCH AN OUTSTANDING JOB OF FEEDING THIS COUNTRY AND MUCH OF THE WORLD AND WHO HAVE BRAVELY AND CORRECTLY RESISTED SUCH THINGS AS GUN CONTROL LEGISLATION AND OTHER ~~POSITIONS~~ INDEPENDENT POSITIONS WOULD ALLOW SOME AMONG THEM TO DEVISE A SCHEME (WITHOUT FIRING A ~~SHOT~~ SHOT) ~~XXX~~ WHEREBY AN INDIVIDUAL CAN MAKE A PROFIT FROM SOMETHING HE NEVER OWNED, OR TAKE SOMETHING THAT DOES NOT BELONG TO HIM.

SONEONE ONCE SAID THAT "AN HONEST MAN CALLS A SPADE, A SPADE--UNTIL HE STUMBLES OVER ONE IN THE DARK"! SO I WILL CALL THIS PROPOSED LEGISLATION WHAT IT REALLY IS:

-ANTI-CONSUMER

-ANTI-MONTANA

-SPECIAL INTEREST

-WHICH WILL RESULT IN:

-LESS TAXES TO THE STATE

-LESS TAXES TO THE COUNTIES

-LESS SUPORT FOR THE STATE'S EDUCATION PROGRAMS

-LESS INCOME FOR THE STATE'S TRUST FUND (LOSS OF BONUSES AND RENTALS)

-~~HIGH PARTICULARLY~~ Bfantizll. HIGHER PRICES FOR PETROLEUM PRODUCTS

-POTENTIALLY HIGHER PRICES FOR NATURAL GAS

-MORE PRESSURE ON ALL OTHER SEGMENTS OF THE ECONOMY CONTRIBUTING TO THE TAX BASE

-NEGATIVE IMPACT CAUSED BY FEWER INDUSTRY JOBS IN THE STATE

REGARDING THE PROBABLY UNCONSTITUTIONAL 2½% ROYALTY PROPOSED:

-THERE IS NO EQUITY PROVIDED ON A FORMULA WHICH

-DOES NOT ALLOW FOR THE DIFFERENCE IN PAYMENT FROM 2½% OF A 20bbl/d WELL AND A 500 bbl/d WELL:

-DOES NOT DISTINGUISH BETWEEN DIFFERENT DRILLERS' COSTS IN VARIOUS PARTS OF THE STATE;

-DOES NOT ALLOW FOR DIFFERENT VALUES BETWEEN PRIME FARMLAND AND GRAZING LAND;

-DOES NOT RECOGNIZE THAT MORE SURFACE DAMAGE MAY COULD OCCUR FROM 10 DRY HOLES THAN FROM 1 PRODUCING WELL.

UNDER THIS BILL, EVEN IF THE SURFACE OWNER DOES NOT OWN THE MINERAL PROPERTY, HE GAINS REVENUE FROM THAT PROPERTY. EVEN IF THE SURFACE OWNER HAS SOLD OR SELLS HIS MINERALS FOR A PROFIT, HE CAN STILL RECEIVE A ROYALTY, ANOTHER PROFIT FROM SOMETHING HE SOLD. HE SELLS IT AND YET STILL HAS IT. IF THAT WENT BY TOO FAST -- HE MAKES A PROFIT FROM SOMETHING HE REALLY NEVER OWNED! (IF THE PETROLEUM INDUSTRY TRIED THAT, IT WOULD BE CALLED A GIANT, CORPORATE RIP-OFF.)

HOW MUCH PROFIT? IF THE SURFACE OWNER IS LUCKY ENOUGH, AS THIS BILL WOULD PROVIDE, TO BE A ROYALTY RECEIVER ON A 1,000 bbl/d WELL, WITH THE CURRENT APPROXIMATE PRICE OF $12.00 PER BBL FOR "NEW" OIL--THAT ADDS UP TO $12,500 PER DAY MINUS THE TOTAL PRODUCTION TAXES OF $1,600.00 PER DAY. THE 2½% WOULD THEN GIVE TO THE SURFACE OWNER $272.50 per DAY! IF HE HAD FOUR WELLS ON HIS FARM, HE COULD RECEIVE $1,090.00 PER DAY, WITHOUT HAVING INVESTED ANY CAPITAL OR WITHOUT HAVING TAKEN ANY OF THE RISK OF THE INVESTORS AND SHAREHOLDERS WHO MADE IT ALL HAPPEN TO START WITH--AND WHO THEN WOULD HAVE WHAT WOULD BE LEFT. AND--WITHOUT ONE CENT OF THIS NEWLY CREATED INCOME PRODUCING ONE MORE DROP OF OIL OR MCF OF GAS.

IT WOULD BE VERY TRAGIC INDEED IF ALL THE MIXED [illegible] BEHIND THIS PROPOSED LEGISLATION WOULD CAUSE THE NEGATIVE IMPACTS INSURED BY ITS ENACTMENT. UNLESS ALL OF THE OTHER STATES PASSED SIMILAR LEGISLATION SIMULTANEOUSLY, MONTANA WILL BE EVEN MORE OUT OF STEP IN DEVELOPMENT OF ITS OIL AND GAS RESOURCES. YES, THERE WILL CONTINUE TO BE EXPLORATION AND PRODUCTION, BUT AT A VASTLY REDUCED PACE. MONTANA WILL [illegible] NOT BE ABLE TO COMPETE FOR THE EXPLORATION DOLLARS NEEDED.

I SINCERELY HOPE THAT YOU WILL NOT LET THOSE WHO WOULD REAP A WINDFALL FROM THIS BILL PROPOSE THE INHERANT, INEVITABLE, AND COSTLY PENALTIES ON THE REST OF THE STATE'S CITIZENS AT THIS CRUCIAL TIME WHEN WE NEED TO DEVELOP OUR KNOWN ENERGY RESOURCES IN ORDER TO BUY TIME TO DEVELOP OTHER NEEDED ENERGY SOURCES.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE, AND I WILL BE AVAILABLE FOR QUESTIONS AT YOUR CONEENIENCE.

NOTES
HB 792

2½% overriding royalty to surface owner

This bill would have an adverse impact on state lands and the public school trust fund.

The department as trustee manages over 6 million acres of mineral interests.

Approximately one million acres are severed mineral interests.

In 1978 the school trust received $11½ million in receipts from oil and gas.

Approximately $7½ million was from oil and gas rentals.

Applicants are required to bid against other potential lessees in order to obtain a state oil and gas lease. These bids are in the form of increased rentals for the first year of the lease. These bids amount to millions of dollars each year.

If the oil and gas lessee is required to pay the surface owner a 2½% overriding royalty, the amount of rentals would be considerably reduced.

Leo Berry, Jr.
Commissioner,
Department of State Lands