

**State of Montana  
Oil & Gas Lease Sale - September 7, 2016  
Lease Sale Results**

The following described lands were offered for oil and gas leasing through oral competitive bidding in the Department of Transportation auditorium, 2701 Prospect Avenue, Helena, Montana, beginning at 9:00 am, September 7, 2016.

Tract	Stipulations	Twp	Rng	Sec	Description	Acres	Bid/Acre	Total Bid	Lessee
<b>Musselshell</b>									
1	1, 2, 3, 4, 5, 6, 9	9.N	27.E	36	N2, S2 less patented RR R/Ws	* 613.50	\$1.50	\$920.25	MORGANTHALER OIL & GAS HOLDINGS, LLC
<b>Roosevelt</b>									
2	1, 2, 3, 4, 5, 6, 11	27.N	57.E	10	NE4SE4, S2SE4, NE4SW4	* 160.00	\$290.00	\$46,400.00	KRAKEN OIL & GAS LLC
<b>Rosebud</b>									
3	1, 2, 3, 4, 5, 6, 7, 8	11.N	33.E	36	W2NW4, E2, SW4, below the base of the Kootenai formation	560.00	\$1.50	\$840.00	HILINE EXPLORATION, LLC
<b>Toole</b>									
4	1, 2, 3, 4, 5, 6	31.N	1.E	4	Lots 1, 2, S2NE4	* 159.27	\$1.50	\$238.90	MORGANTHALER OIL & GAS HOLDINGS, LLC
5	1, 2, 3, 4, 5, 6	34.N	1.E	16	All	640.00	\$1.50	\$960.00	MORGANTHALER OIL & GAS HOLDINGS, LLC
6	1, 2, 3, 4, 5, 6, 10	34.N	1.W	16	W2	* 320.00	\$27.00	\$8,640.00	PEGA PETROLEUM, INC.
7	1, 2, 3, 4, 5, 6	35.N	1.W	30	SE4NW4, NE4SW4	80.00	\$26.00	\$2,080.00	KEESUN CORP.
8	1, 2, 3, 4, 5, 6	35.N	4.W	28	NE4NE4	40.00	\$26.00	\$1,040.00	PEGA PETROLEUM, INC.

\* Part or all of tract is not state-owned surface

## Summary by Lessor

	<b>Total Acres</b>	<b>Total Tracts</b>
Dept. of Natural Resources and Conservation	2,572.77	8

## Oil and Gas Lease Sale Summary

<b>Total Tracts</b>	8
<b>Total Acres</b>	2,572.77
<b>Total Bid Revenue</b>	\$61,119.15
<b>Average Bid Per Acre</b>	\$23.76

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**Stipulations**

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- 1 Lessee shall notify and obtain approval from the Department's Trust Land Management Division (TLMD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in TLMD's approval.
- 2 Prior to the drilling of any well on or into the lease premises, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Trust Land Management Division (TLMD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to TLMD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to TLMD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the TLMD prior to plugging a well on the lease premises.  
  
Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises. The lessee's methods of control shall be reviewed and approved by the Department's Unit Office that has jurisdiction for that locale.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 This lease is located within designated sage grouse core habitat. Proposed activities are subject to, and shall comply with, all provisions, stipulations and mitigation requirements of the Montana Sage Grouse Habitat Conservation Strategy, as implemented by Governor's Executive Orders 10-2014, 12-2015, and amendments thereto. Contact the TLMD prior to preparing a project proposal.
- 9 Unless otherwise approved by the Department in writing, wells and related surface infrastructure, including new road construction, are prohibited within 1/2 mile of the centerline of a navigable river, lake or reservoir, and within 1/4 mile of direct perennial tributary streams of navigable waterways, on or adjacent to the tract. No surface occupancy is allowed within the bed of a river, stream, lake or reservoir, islands and accretions or abandoned channels.
- 10 This tract has (an) existing well(s) and related facilities. The lessee has 45 days from the effective date of this lease to determine whether or not to assume responsibility from the former lessee for the well(s) and any existing facilities. The lessee may not enter the well(s) until a change of operator has been filed with, and approved by, the Board of Oil and Gas Conservation. The(se) well(s) must be returned to commercial production or plugged and the well site(s) reclaimed within 18 months from the effective date of this lease.
- 11 If whooping cranes are observed on-site, construction and/or maintenance activities shall be suspended until birds leave the area.

**DEPARTMENT OF NATURAL RESOURCES  
AND CONSERVATION**

**Trust Land Management Division**



STEVE BULLOCK, GOVERNOR

1539 ELEVENTH AVENUE

DIRECTOR'S OFFICE (406) 444-2074  
TELEFAX NUMBER (406) 444-2684

PO BOX 201601  
HELENA, MONTANA 59620-1601

**NOTICE OF NEW STREET ADDRESS**

Beginning Thursday, September 15, 2016, FedEx and UPS packages should be mailed to our new street address:

**1539 11th Avenue, 3rd Floor, Helena, MT 59601**

Our U.S. Post Office address will continue to be:

**P.O Box 201601, Helena, MT 59620-1601**

Our headquarters will be in both places until everyone has moved to the new building. Prior to October 2016, please call Julie Mason at (406) 444-4576 to find out which building we are in. And if you have any questions, you may call Julie.

Our telephone numbers will remain the same.

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TO ALL INTERESTED PARTIES:

RE: December 6, 2016 Oil and Gas Lease Sale

In order to give as much advance notice as possible, please be advised that the date of the December 2016 Oil and Gas Lease Sale has been set for **TUESDAY, DECEMBER 6, 2016**, at 9:00 A.M. in the auditorium of the Department of Transportation building at 2701 Prospect Avenue, Helena, Montana, east of the interstate highway. Please call the Department of Natural Resources and Conservation for detailed directions, if necessary.

The deadline filing date for submitting applications on tracts to be nominated for the sale in December is 5:00pm on September 20, 2016. Applications must be received in this office by that date. If you have any questions, please contact me at [jmason2@mt.gov](mailto:jmason2@mt.gov) or (406) 444-4576.

Julie Mason, Supervisor  
Mineral Leasing Section  
Minerals Management Bureau