



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
MONTANA STATE OFFICE
222 NORTH 32ND STREET
P.O. BOX 36800
BILLINGS, MONTANA 59107-6800



CERTIFIED MAIL
No. 00730

RETURN RECEIPT REQUESTED

IN REPLY TO:

MTM 77568
CA NCR 520
✓SDR-922-91-05
3165 (922.LB)

January 11, 1991

CERTIFIED--RETURN RECEIPT REQUESTED

DECISION

Mr. Timothy J. Sheehan)
Northland Royalty Operating Company) SDR No.922-91-05
3030 Fourth Avenue North
Billings, Montana 59101)

AFFIRMED

Northland Royalty Operating Company (Northland) requested a State Director Review (SDR) of a \$5,000 assessment (Enclosure 1) issued to Northland by the Great Falls Resource Area Office (GFRA). The assessment was issued to Northland under the authority of 43 CFR 3163.1(b)(2), due to failure on Northland's part to comply with 43 CFR 3162.3-1c. Northland was notified of the violation and assessment by letter dated December 7, 1990 (Enclosure 2).

The letter notified Northland that a gas well had been drilled and completed in the SE $\frac{1}{4}$ SW $\frac{1}{4}$, sec. 28, T. 34 N., R. 2 W., Toole County, Montana, federal lease No. MTM 77568, without a federally approved application for permit to drill (APD). The letter also notified Northland of an assessment of \$500 per day times 10 days (the assessment is capped at \$5,000), totaling \$5,000.

Northland states in their SDR that, "The Northland Royalty Operating Company did not intend to cause the commencement of operations and the drilling of a well on federal lands without the approval of appropriate permits. The action of our company was an error, and in particular the error involved failing to cross-check the drillsite designated by their geology department against federal master title plats to determine federal mineral ownership."

Northland received state approval to drill the State 14-28 well on April 5, 1990 (Enclosure 3). Drilling operations of the State 14-28 well commenced on April 8, 1990, and the well was completed on April 12, 1990, and the infraction was discovered by the GFRA on December 6, 1990.

The regulation cited by the GFRA office for the violation was 43 CFR 3162.3-1(c) which states, "The operator shall submit to the authorized officer (AO) for approval an APD for each well. No drilling operations, nor surface disturbance preliminary thereto, may be commenced prior to the AO's approval of the permit."

Also the basis for the assessment comes from 43 CFR 3163.1(b)(2) which states, "...for drilling without approval or for causing surface disturbance on federal or Indian surface preliminary to drilling without approval, \$500 per day for each day that the violation existed, including days the violation existed prior to discovery, not to exceed \$5,000."

Based on the regulations we find the GFRA office was correct in assessing the \$5,000 assessment to Northland for drilling without a federally approved APD. Therefore, the GFRA office's decision and assessment is affirmed.

This Decision may be appealed to the Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR 4.400 and the enclosed Form 1842-1 (Enclosure 4). If an appeal is taken, a Notice of Appeal must be filed in this office at the aforementioned address within 30 days from receipt of this Decision. A copy of the Notice of Appeal and of any statement of reasons, written arguments, or briefs must be served on the Office of the Solicitor at the address shown on Form 1842-1. It is also requested that a copy of any statement of reasons, written arguments, or briefs be sent to this office. The appellant has the burden of showing that the decision appealed from is in error.



Donald L. Gilchrist
Acting Deputy State Director
Division of Mineral Resources

4 Enclosures

- 1-SDR dated January 7, 1991 (1 p)
- 2-GFRA Decision dated December 7, 1990 (2 pp)
- 3-Northland's State permit for the State 14-28 well (2 pp)
- 4-Form 1842-1 (1 p)

cc: (w/o encls.)
DM, Lewistown
AM, Great Falls