

PERFORMANCE AUDIT  
Board of Oil and Gas Conservation  
Regulatory Program  
Board of Oil and Gas Conservation

SEPTEMBER 2011

11P-04

REPORT SUMMARY

The Board of Oil and Gas Conservation must improve its inspections and enforcement processes to more effectively regulate the state's 17,600 active oil and gas wells.

## Context

The Board of Oil and Gas Conservation and its staff in the Oil and Gas Conservation Division regulate oil and natural gas development in Montana. Their work helps protect the petroleum resource, property owners, the environment, taxpayers, and oil and gas operators. The governor appoints the seven members of the board. The board and division is administratively attached to the Department of Natural Resources and Conservation.

The board is the policy setting and rulemaking entity. Administrative functions are the responsibility of the division. Division staff issue permits; classify wells; issue and carry out board orders; conduct field inspections; require performance bonds for site restoration; and maintain a repository of administrative, technical and geologic information about these wells.

Audit work reviewed the regulatory activities of the board and division. In addition, we examined the controls used to ensure integrity and accuracy of the Oil and Gas Information System, a database of well information.

## Results

Under the supervision of the Board of Oil and Gas Conservation, division management should generally provide more formalized

direction to division staff for inspection and enforcement activities.

For the regulatory processes, the division's permitting and abandonment processes appear sound, while improvements are necessary for the inspections and enforcement processes.

Although faced with a large number of wells to inspect, audit work found the division lacks a formalized approach to their work. The division should create formal inspection priorities, develop documented inspection procedures, improve inspection documentation, and consistently document field deficiencies and violations.

When inspectors identify a violation, the board and division collaborate with the operator to gain compliance. The division could improve its compliance rate, and lessen the number of unresolved violations, by applying existing compliance timelines and creating additional ones.

The division could improve management of the Oil and Gas Information System in the areas of segregation of duties, security planning, password policies, and disaster recovery planning.

Recommendation Concurrence	
Concur	7
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (11P-04) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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