

BEFORE THE INDUSTRIAL COMMISSION  
OF THE STATE OF NORTH DAKOTA

CASES NOS. 1004 AND 1005  
ORDER NO. 1082

CASE 1004: ON A MOTION OF THE COMMISSION  
TO CONSIDER THE APPLICATION OF NORTH  
AMERICAN ROYALTIES, INC., FOR AN ORDER  
POOLING ALL INTERESTS IN THE DICKINSON-  
HEATH IN THE S/2 OF SECTION 15, TOWNSHIP  
140 NORTH, RANGE 96 WEST, STARK COUNTY,  
NORTH DAKOTA.

AND

CASE 1005: ON A MOTION OF THE COMMISSION  
TO CONSIDER THE APPLICATION OF CARDINAL  
PETROLEUM COMPANY FOR AN ORDER  
POOLING ALL INTEREST IN THE DICKINSON-  
HEATH IN THE E/2 OF SECTION 15, TOWNSHIP  
140 NORTH, RANGE 96 WEST, STARK  
COUNTY, NORTH DAKOTA.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Pursuant to legal notice these causes came on for hearing at 9:30 a.m.  
on the 20th day of August, 1970, at Bismarck, North Dakota, before the  
Industrial Commission of North Dakota, hereinafter referred to as the  
"Commission."

NOW, on this 8th day of September, 1970, the Commission, a quorum  
being present, having considered the testimony adduced, and the exhibits  
received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the  
Commission has jurisdiction of these causes and the subject matter thereof.

(2) That since Cases 1004 and 1005 involved essentially the same  
matter, the two cases were combined for hearing.

(3) That the applicants are owners of oil and gas interests in Section  
15, Township 140 North, Range 96 West, Stark County, North Dakota.

(4) That by previous order (Order #920) of the Commission this area  
has been spaced at 320 acres for each well with the well locations to be in  
the NW and SE quarter of each section; that said order did not specify  
whether the 320 acre spacing units would consist of the north and south  
one-half of each section or the east and west one-half of each section.

(5) That Cardinal Petroleum Company received a permit to drill a well  
and did drill a well in the SE/4 of Section 15, Township 140 North, Range  
96 West, Stark County, in the prescribed location; that such well is a  
producing oil well; that the application for a permit to drill an oil well  
is required by statute and regulations of the Commission; that the  
application of Cardinal Petroleum Company to drill said well specified the  
320 acre spacing unit to consist of the E/2 of Section 15, Township 140  
North, Range 96 West, Stark County.

(6) That subsequent to the drilling and completion of said well North

American Royalties, Inc., made application for pooling all interests in the S/2 of Section 15, Township 140 North, Range 96 West, as the spacing unit for the well in the SE/4 of said section; that North American Royalties, Inc., holds working interests and mineral interests in the said section.

(7) That subsequent to the filing of the application by North American Royalties, Inc. in Case 1004, Cardinal Petroleum Company applied for an order pooling all interests in the E/2 of Section 15, Township 140 North, Range 96 West, Stark County, as the spacing unit for the well in the SE/4 of said section; that Cardinal Petroleum Company holds interests in said section.

(8) That Cardinal Petroleum Company, at the hearing, moved to dismiss the application of North American Royalties, Inc., on the following grounds:

- (a) North American's application does not state that it is an interested person in the lands it wishes the Commission to involuntarily pool, and, in fact, it is not an interested person within the meaning of North Dakota Century Code Section 38-08-08, which deals with involuntary pooling.
- (b) No spacing unit has been designated by the State Geologist or the Commission pursuant to the Regulations of the Commission, and the above referred to statute allowing the Commission to enter an Order for involuntary pooling specifically states that only lands and interests within a spacing unit can be involuntarily pooled.

(9) That North American Royalties, Inc., does own leasehold and royalty interests in the tracts in question and as such is an interested party within the meaning of Section 38-08-08.

(10) That Order No. 920 of the Commission does not authorize the State Geologist to establish spacing units in this field.

(11) That by statute (Section 38-08-07, North Dakota Century Code) the Commission has the authority to establish spacing units; that such authority is, according to the statute, predicated upon the protection of correlative rights, as well as the prevention of waste and the drilling of unnecessary wells.

(12) That the motions of Cardinal Petroleum Company set forth in Section 8 should be denied.

(13) That the evidence introduced by the parties hereto is in conflict as to the possibilities of production from a well drilled in the regular location in the NW/4 of Section 15, Township 140 North, Range 96 West, Stark County, in that North American Royalties does not believe such well would be productive of oil and gas in paying quantities and Cardinal Petroleum Company believes such well would be productive of oil and gas in paying quantities.

(14) That the evidence introduced by the parties hereto is in conflict as to the amount of oil underlying the N/2 of Section 15, Township 140 North, Range 96 West, Stark County, in that North American Royalties does not believe such tract contains substantial amounts of oil and gas and Cardinal Petroleum believes such tract is underlain with substantial amounts of oil and gas.

(15) That the working interest and royalty interests in the SW/4 and the NE/4 of Section 15, Township 140 North, Range 96 West, Stark County, are not similar and identical; if the NE/4 is combined with the SE/4 to form a 320 acre spacing unit those persons who own interests in the SW/4 would not share in any production from the well in the SE/4; if the SW/4 is combined with the SE/4 to form a 320 acre spacing unit those persons who own interests in the NE/4 would not share in any production from the well

in the SE/4.

(16) That Cardinal Petroleum Company contends those persons owning interests in the SW/4 of Section 15, Township 140 North, Range 96 West, Stark County, would share in the production from a well to be drilled in the NW/4 if the E/2 and W/2 of the section form spacing units; North American Royalties, Inc., contends those persons owning interests in the N/2 would share in production from a well in the NW/4 if, as Cardinal contends, the N/2 of the section is underlain by oil and the N/2 and the S/2 form spacing units.

(17) That the conflicting evidence as to the amount of oil underlying the N/2 of Section 15, Township 140 North, Range 96 West, Stark County, is inconclusive.

(18) That should a well in the NW/4 of Section 15, Township 140 North, Range 96 West, Stark County, produce in quantities comparable to the well in the SE/4 the correlative rights of all parties in the section would be protected and the question of whether the spacing units should run in a north-south or east-west direction would not be of serious significance to the correlative rights of the parties owning interests in the section.

(19) Should a well in the NW/4 of Section 15, Township 140 North, Range 96 West, Stark County, not be productive of oil and gas in paying quantities or produce in amounts substantially less or substantially more than a well in the SE/4, the question of whether the spacing units should run in a north-south or east-west direction would be of significance to the correlative rights of the parties owning interests in the section and in such instance it would become necessary to determine whether the oil produced from the well in the SE/4 is coming primarily from the N/2 or the S/2 of the section; that should a well in the NW/4 be drilled the data derived therefrom would be of great import in determining such question, whether or not such well produced oil in commercial quantities.

(20) That Cardinal Petroleum Company has applied for and has received a permit from the State Geologist to drill a well in the NW/4 of Section 15, Township 140 North, Range 96 West, Stark County; that representatives of Cardinal Petroleum Company testified that such well would be drilled.

(21) That a determination as to whether the spacing units in Section 15, Township 140 North, Range 96 West, Stark County, should run in an east-west or north-south direction should await the drilling of a well in the NW/4 and the submission of the data obtained therefrom.

IT IS THEREFORE ORDERED:

(1) That the motions of Cardinal Petroleum Company to dismiss the application of North American Royalties, Inc., are denied.

(2) That the question of determining whether the 320 acre spacing units in Section 15, Township 140 North, Range 96 West, Stark County, should be composed of the N/2 and S/2 of the section or the E/2 and W/2 of the section will be determined by this Commission after the well in the NW/4 is drilled; that should the well be drilled within six months from the date of this order the Commission will again consider the matter upon application of either interested party; that should a well not be drilled in the NW/4 within six months from the date of this order the Commission, on its own motion, will again consider the matter at a hearing subsequent to the expiration of said six month period.

(3) That this order shall remain in full force and effect until further order of the Commission.

DONE, in Bismarck, North Dakota, this 8th day of September, 1970.

THE NORTH DAKOTA

INDUSTRIAL COMMISSION

/s/ William L. Guy  
William L. Guy, Governor

/s/ Helgi Johanneson  
Helgi Johanneson, Attorney General

/s/ Arne Dahl  
Arne Dahl, Commissioner of Agriculture