

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 1095
ORDER NO. 1173

IN THE MATTER OF A HEARING CALLED ON A
MOTION OF THE COMMISSION TO CONSIDER THE
APPLICATION OF CONTINENTAL OIL COMPANY
FOR AN ORDER CREATING THE DICKINSON
HEATH UNIT, PROVIDING FOR THE UNITIZED
MANAGEMENT, OPERATION AND FURTHER
DEVELOPMENT OF THE DICKINSON HEATH SAND
SOURCE OF SUPPLY OF OIL AND GAS LOCATED
IN TOWNSHIPS 140 AND 139 NORTH, RANGE 97
WEST, AND TOWNSHIP 140 NORTH, RANGE 96
WEST, STARK COUNTY, NORTH DAKOTA,
DEFINING THE UNIT AREA AND APPROVAL OF
THE PLAN OF UNITIZATION TO SUCH UNIT AND
UNIT AREA.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Pursuant to legal notice this cause came on for hearing at 9:30 a.m. on the 12th day of September, 1972, at Bismarck, North Dakota, before the Industrial Commission of North Dakota, hereinafter referred to as the "Commission."

NOW, on this 10th day of October, 1972, 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 this cause and the subject matter thereof.

(2) That Continental Oil Company has duly filed with the Commission an application for an order creating the Dickinson Heath Sand Unit and prescribing a plan of unitization pursuant to Section 38-08-09.1 et seq. of the North Dakota Century Code.

(3) That more than 45 days prior to the hearing, Continental Oil Company mailed, postage prepaid, notice of the purpose, time and place of the hearing, along with a copy of the application and the proposed plan of unitization, to each affected person owning an interest of record in the unit outline at such person's last known post office address, and that an affidavit of such mailing was filed with the application.

(4) That more than 45 days prior to the hearing, the applicant filed with the Commission all engineering, geological and other technical exhibits subsequently used at the hearing, and the above described notice stated that such exhibits had been so filed and were available for inspection.

(5) That the unitized management, operation and further development of the common source of supply of oil and gas known as the Dickinson Heath and West Dickinson Heath Pools is reasonably necessary in order to effectively carry on pressure maintenance or repressuring operations, cycling operations, waterflooding operations, or any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil and gas from the common source of supply.

(6) That one or more of such unitized methods of operation as applied to such common source are feasible, will prevent waste and will with reasonable probability result in the increased recovery of substantially more oil and gas from the common source of supply than would otherwise be recovered.

(7) That the estimated additional cost, if any, of conducting such operations will not exceed the value of the additional oil and gas so recovered.

(8) That such unitization and adoption of one or more of such unitized methods of operation is for the common good and will result in the general advantage of the owners of the oil and gas rights in the common source of supply directly affected.

(9) That the plan of unitization proposed by the applicant, as attached to the application in this cause and received in evidence as applicant's Exhibit No. 3, contains fair, reasonable and equitable provisions for:

(a) The efficient unitized management or control of the further development and operation of the Unit Area for the recovery of oil and gas from the common source of supply affected.

(b) The division of interest or formula for the apportionment and allocation of the unit product among and to the several and separately owned tracts within the Unit Area is such as will reasonably permit persons otherwise entitled to share in or benefit by the production from such separately owned tracts to produce or receive in lieu thereof their fair, equitable and reasonable share of the unit production or other benefits thereof.

(c) The manner in which the unit and the further development and operation of the Unit Area shall or may be financed and the basis, terms and conditions upon which the cost and expense thereof shall be apportioned among and assessed against the tracts and interests made chargeable therewith, including a detailed accounting procedure governing all charges and credits incident to such operations, and makes reasonable provision for carrying or otherwise financing lessees who are unable to promptly meet their financial obligations in connection with the unit.

(d) The procedure and basis upon which wells, equipment and other properties of the several lessees within the Unit Area are to be taken over and used for unit operations, including the method of arriving at the compensation therefore, or of otherwise proportionately equalizing or adjusting the investment of the several lessees in the project as of the effective date of unit operation.

(e) The creation of an operating committee to have general overall management and control of the unit and the conduct of its business and affairs and the operations carried on by it, together with the creation or designation of such other sub-committees, boards, or officers to function under authority of the operating committee as may be necessary, proper or convenient in the efficient management of the unit, defining the powers and duties of all such committees, boards, or officers and prescribing their tenure and time and method for their selection.

(f) The time when the plan of unitization shall become and be effective.

(g) The time when and conditions under which and the method by which the unit shall or may be dissolved and its affairs wound up.

(10) That the proposed Dickinson Heath Sand Unit embraces the whole common source of supply of oil and gas heretofore defined by the Commission as the Dickinson and West Dickinson Heath Pools.

(11) That the plan of unitization proposed by the applicant, provides that each lessee grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract and a security interest in its share of Unitized Substances when extracted and its interest in all unit equipment to secure payment of its share of Unit Expense, together with interest thereon at the rate of ten percent (10%) per annum. And that said rate of interest exceeds the legal rate permitted by the North Dakota Century Code.

(12) That David J. Sorenson, owner of a leasehold interest in a spacing unit within the unit Area described as the north half (N/2) of Section 1, Township 139 North, Range 97 West, Stark County, North Dakota, desires to drill a well at the proper location on said spacing unit.

IT IS THEREFORE ORDERED:

(1) That as described in the plan of unitization, the Dickinson Heath Sand Unit shall consist of the following land in Stark County, North Dakota:

TOWNSHIP 139 NORTH, RANGE 96 WEST, 5TH PM
SECTION 5: N/2,

TOWNSHIP 139 NORTH, RANGE 97 WEST, 5TH PM
SECTION 1: N/2
SECTION 2: ALL
SECTION 3: N/2, SE/4
SECTION 4: NE/4,

TOWNSHIP 140 NORTH, RANGE 96 WEST, 5TH PM
SECTION 14: ALL
SECTION 15: ALL
SECTION 16: S/2, NW/4
SECTION 17: S/2, NE/4
SECTION 19: S/2, NE/4
SECTION 20: ALL
SECTION 21: ALL
SECTION 22: ALL
SECTION 23: ALL
SECTION 27: W/2
SECTION 28: ALL
SECTION 29: ALL
SECTION 30: ALL
SECTION 31: ALL
SECTION 32: ALL
SECTION 33: N/2, N/2 SW/4,

TOWNSHIP 140 NORTH, RANGE 97 WEST, 5TH PM
SECTION 22: SE/4
SECTION 23: S/2
SECTION 24: S/2
SECTION 25: ALL
SECTION 26: ALL
SECTION 27: ALL
SECTION 33: ALL
SECTION 34: ALL
SECTION 35: ALL
SECTION 36: ALL,

containing 16,400 acres, more or less.

(2) That paragraph 8.5, Part III, of the Proposed Plan of Unitization for the Dickinson Heath Sand Unit is hereby, amended, in part, to read as follows: "Each lessee grants to Unit Operator a lien upon its oil and gas rights in each tract, and a security interest in its share of unitized

substances when extracted and its interest in all Unit equipment, to secure payment of its share of Unit expense, together with interest thereon at the rate of seven percent (7%) per annum."

(3) That David J. Sorenson, owner of a leasehold interest in a spacing unit within the Unit Area described as the North Half (N/2) of Section 1, Township 139 North, Range 97 West, Stark County, North Dakota, be permitted to drill a well at the proper location on said spacing unit and that new information obtained from production from the well be used in the formula for the apportionment and allocation of Unit production, so as to be fair, reasonable and equitable.

(4) That, upon ratification by the prescribed 80% of persons who would bear cost of unit operation and 80% of the production or proceeds that will be credited to interests that are free of costs, the Dickinson Heath Sand Unit will be created, and the Plan of Unitization proposed by Continental Oil Company, and amended herein, is hereby prescribed for such unit.

(5) That as provided in the Plan of Unitization, Continental Oil Company is hereby designated as Unit Operator.

(6) That said Plan of Unitization as proposed and herein amended, is hereby incorporated in this order by reference and shall apply to the same extent and with the same force and effect as if it were actually set forth herein.

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

DONE, at Bismarck, North Dakota, this 10th day of October, 1972.

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