

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 4068
ORDER NO. 4624

IN THE MATTER OF A HEARING CALLED ON A
MOTION OF THE COMMISSION TO CONSIDER THE
APPLICATION OF CONOCO INC. FOR AN ORDER TO
PERMIT THE FLARING OF GAS PRODUCED FROM
CERTAIN OIL WELLS LOCATED IN THE DICKINSON-
HEATH SAND UNIT, STARK COUNTY, NORTH
DAKOTA, AS AN EXCEPTION TO SECTION 38-08-06.4
NORTH DAKOTA CENTURY CODE.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Pursuant to legal notice this cause came on for hearing at 8:00 a.m. on the 28th day of May, 1986, in Bismarck, North Dakota, before an examiner appointed by the Industrial Commission of North Dakota, hereinafter referred to as the "Commission."

NOW, on this 9th day of June, 1986, 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 Section 38-08-06.4 of the North Dakota Century Code states:

As permitted under rules of the industrial commission, gas produced with crude oil from an oil well may be flared during a one-year period from the date of first production from the well, or until June 30, 1986, for wells in production prior to July 1, 1985. Thereafter, flaring of gas from the well must cease and the well must either be capped or connected to a gas gathering line. For a well operated in violation of this section, the producer shall pay royalties to royalty owners and gross production tax imposed under section 57-51-02 upon the value of the flared gas. The industrial commission shall enforce this section and, for each well operator found to be in violation of this section, shall determine the value of flared gas for purposes of payment of gross production tax and royalties under this section and its determination is final. A producer may obtain an exemption from this section from the industrial commission upon application and a showing that connection of the well to a natural gas gathering line is economically infeasible at the time of the application or in the foreseeable future or that a market for the gas is not available.

(3) That applicant is the owner or operator ("producer") of the following wells in the Dickinson Heath Sand Unit, Stark County, North Dakota:

DHSU #1, Section 14, T.140N., R.96W.
DHSU #4, Section 20, T.140N., R.96W.
DHSU #6, Section 22, T.140N., R.96W.
DHSU #7, Section 23, T.140N., R.96W.
DHSU #10, Section 20, T.140N., R.96W.
DHSU #12, Section 23, T.140N., R.97W.
DHSU #13, Section 26, T.140N., R.97W.
DHSU #17, Section 28, T.140N., R.96W.
DHSU #18, Section 27, T.140N., R.96W.
DHSU #20, Section 29, T.140N., R.96W.
DHSU #21, Section 29, T.140N., R.96W.
DHSU #30, Section 36, T.140N., R.97W.
DHSU #32, Section 31, T.140N., R.96W.
DHSU #37, Section 31, T.140N., R.96W.
DHSU #38, Section 36, T.140N., R.97W.
DHSU #42, Section 3, T.139N., R.97W.
DHSU #48, Section 33, T.140N., R.97W.
DHSU #50, Section 21, T.140N., R.96W.
DHSU #53, Section 21, T.140N., R.96W.
DHSU #58, Section 2, T.139N., R.97W.
DHSU #59, Section 3, T.139N., R.97W.
DHSU #62, Section 32, T.140N., R.96W.
DHSU #63, Section 22, T.140N., R.96W.
DHSU #64, Section 27, T.140N., R.97W.
DHSU #65, Section 27, T.140N., R.97W.
DHSU #66, Section 19, T.140N., R.96W.

(4) That the Dickinson Heath Sand Unit is an oil reservoir, but gas is produced in association with crude oil at the wellhead as a by-product of oil production.

(5) That by previous order of the Commission, said wells are currently authorized to flare so that all owners of interests in the wells described herein may receive the maximum benefits of the oil and gas production in such a manner that will prevent waste and protect correlative rights.

(6) That the wells are currently not connected to a gas gathering facility and that all casinghead gas being produced by the wells and not

being used for lease operations is being flared.

(7) That the applicant has submitted evidence that under current market conditions the surplus casinghead gas presently being produced by the wells and the estimated recoverable reserves from the wells are insufficient to recoup the costs of installing and operating a gas gathering facility.

(8) That if the applicant's request in this matter is not granted, royalties and tax must be paid on the flared gas from the above described wells, or flaring must cease and the wells must be "capped", resulting in the loss of oil production and the loss of the benefits of that production by all owners of interest in the wells and the State of North Dakota.

(9) That considering the amount of surplus gas being produced by the wells and the amount of estimated recoverable reserves from the wells, it is economically infeasible at this time, or in the foreseeable future, to connect the wells to a gas gathering facility.

IT IS THEREFORE ORDERED:

(1) That the applicant is hereby allowed to flare surplus casinghead gas produced with crude oil from the Dickinson Heath Sand Unit through the wells listed in (3) of the findings as an exception to the provisions of Section 38-08-06.4 of the North Dakota Century Code.

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

Dated this 9th day of June, 1986.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ George A. Sinner _
George A. Sinner, Governor

Nicholas J. Spaeth, Attorney General

/s/ Kent Jones _
Kent Jones, Commissioner of Agriculture