

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 7286
ORDER NO. 8521

IN THE MATTER OF A HEARING
CALLED ON A MOTION OF THE
COMMISSION TO CONSIDER THE
CONFISCATION, UNDER NORTH
DAKOTA CENTURY CODE SECTION
38-08-04.9, OF ALL
PRODUCTION-RELATED EQUIPMENT AT
THE ABANDONED #6-1 WALTON WELL
OWNED BY THE OPERATOR OF
RECORD, FIRST BROADWAY CORP. OR
ANY WORKING INTEREST OWNER, FOR
THE PURPOSE OF PARTIALLY
COMPENSATING THE STATE FOR
PLUGGING AND RECLAMATION COSTS,
SUCH WELL BEING LOCATED IN THE
NE/4 NE/4 OF SECTION 6, T.139N.,
R.96W., DICKINSON FIELD, STARK
COUNTY, NORTH DAKOTA.

ORDER OF THE COMMISSION

THE COMMISSION FINDS:

(1) This cause came on for hearing at 9:00 a.m. on the 27th day of October, 1999.

(2) The respondent, First Broadway Corporation, was personally notified of this hearing on September 22, 1999.

(3) First Broadway Corporation is the operator of record of the following well:

Name	File No.	Location	County
Walton #6-1	9075	NE/4 NE/4 6-139-96	Stark

(4) The Walton #6-1 well last produced in April 1998. North Dakota Administrative Code (NDAC) Section 43-02-03-55 states in part: "the failure to produce oil or gas for one year constitutes abandonment of the well. An abandoned well must be plugged and its site must be reclaimed pursuant to sections 43-02-03-34 and 43-02-03-19. The director may waive for one year the requirement to plug and reclaim an abandoned well by giving the well temporarily abandoned status. This status may only be given to wells that are to be used for purposes related to the production of oil and gas. The director may also waive the duty to plug and reclaim an abandoned well for any other good cause found by the director. If the director exercises this discretion the director shall set a date or circumstance upon which the waiver expires."

(5) First Broadway Corporation was notified on several occasions to plug the well, apply for a temporarily abandoned status, or request relief from plugging the well. These requests were ignored.

(6) Estimated plugging and reclamation costs are at least \$26,500. Revenues from confiscation of the equipment on location on are at best \$10,400.

(7) First Broadway had a \$15,000 bond filed with the Bank of North

Dakota. First Broadway's failure to plug the well subjected the bond to forfeiture. A certification of an Event of Forfeiture was signed on September 15, 1999. A check was issued by the Bank of North Dakota to the Oil and Gas Division on September 16, 1999 in the amount of \$15,230.61. Since the Commission is committed to plugging the Walton #6-1 well, confiscation of the production-related equipment on location is necessary to compensate the Commission for the plugging and reclamation of the well site.

(8) First Broadway Corporation was involuntarily dissolved and ceased to exist on August 3, 1998.

(9) Erik Lips, registered agent for First Broadway Corporation, testified that he is an investor in the well, and also requested a 30-day extension so he could try to resolve this matter by possibly selling the well. He did not offer whom an apparent buyer might be, nor did he describe what efforts he has taken, if any, or what efforts he intended to take to find a buyer.

(10) The Walton #6-1 well lies outside the Dickinson Heath Sand Unit and is located outside the "zero line" of the Heath Sand "A" zone and near the "zero line" of the Heath Sand "B" zone. The well is no longer economic in the Heath Zone.

(11) The Walton #6-1 well is located approximately 60 feet from the boundary of the Dickinson Lodgepole Unit and would not be a candidate for deepening to the Lodgepole Formation.

(12) It is unlikely that the well is able to produce economic reserves and thus it is unlikely that a buyer for it can be found.

(13) The Commission would endure a high degree of risk of not having any equipment to confiscate to compensate it for plugging the well if the well and its equipment were transferred to another operator who might strip the well of all its equipment.

(14) First Broadway Corporation has violated NDAC Section 43-02-03-55 and the Commission should confiscate all production-related equipment at the abandoned Walton #6-1 well site to compensate it for plugging of the well.

IT IS THEREFORE ORDERED:

(1) The Commission may confiscate all production-related equipment at the Walton #6-1 well site.

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

Dated this 24th day of November, 1999.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ Edward T. Schafer, Governor

/s/ Heidi Heitkamp, Attorney General

/s/ Roger Johnson, Commissioner of Agriculture