

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 16625
ORDER NO. 18894

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO
CONSIDER THE APPLICATION OF HESS
CORP. FOR AN ORDER EXTENDING THE
OUTLINE AND AMENDING THE APPLICABLE
ORDERS FOR THE ST. ANTHONY-BAKKEN
POOL TO INCLUDE SECTIONS 5 AND 8,
T.140N., R.96W., STARK COUNTY, ND, AS A
1280-ACRE SPACING UNIT, OR
ALTERNATIVELY DESIGNATING SAID
LANDS AS A 1280-ACRE DRILLING UNIT,
AND ALLOWING UP TO SIX HORIZONTAL
WELLS TO BE DRILLED THEREON, AND
SUCH OTHER RELIEF AS IS APPROPRIATE.

TEMPORARY ORDER OF THE COMMISSION

THE COMMISSION FINDS:

- (1) This cause came on for hearing at 9:00 a.m. on the 18th day of January, 2012.
- (2) The witnesses for Hess Corporation (Hess) provided telephonic testimony in this matter pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.2. Telephonic Communication Affidavits were received on January 20, 2012; therefore, such testimony may be considered evidence.
- (3) Hess made application to the Commission for an order extending the outline and amending the applicable orders for the St. Anthony-Bakken Pool to include Sections 5 and 8, Township 140 North, Range 96 West, Stark County, North Dakota (Sections 5 and 8), as a 1280-acre spacing unit, or alternatively designating said lands as a 1280-acre drilling unit, and allowing up to six horizontal wells to be drilled thereon, and such other relief as is appropriate.
- (4) Section 8 is within the Dickinson Field.
- (5) Case No. 16305, heard on the December 14, 2011 docket, is an application by Burlington Resources Oil & Gas Company LP for an order extending the outline and amending the applicable orders for the South Heart Field and such other fields as may be appropriate so as to designate Sections 25 and 36; Sections 26 and 35; Sections 27 and 34; Sections 28 and 33, Township 140 North, Range 97 West; Sections 1 and 12; Sections 2 and 11; Sections 3 and 10, Township 139 North, Range 97 West; Sections 18 and 19; and Sections 30 and 31, Township 139 North, Range 96 West, Stark County, North Dakota, as 1280-acre drilling or spacing units, eliminating the 1220-foot

setback policy for wells drilled on such units, extending the stratigraphic interval included within any pool in which said units may be included to include to depth of 100 feet below the top of the Three Forks Formation, and such other relief as is appropriate. Order No. 18570 entered in Case No. 16305, established the Dickinson-Bakken Pool and included Sections 5 and 8 in the Dickinson Field.

(6) Hess presented evidence the Dickinson-Bakken Pool underlies Sections 5 and 8; therefore, the boundary of the Dickinson Field should be extended to include such lands.

(7) Hess' idealized development plan for the proposed standup 1280-acre spacing unit described as Sections 5 and 8 is to drill six horizontal wells, three in the middle member of the Bakken Formation and three in the upper Three Forks Formation. The six horizontal wells will be drilled from a common drilling pad near the midpoint of the south line of Section 8, with both the middle member Bakken Formation and upper Three Forks Formation wells drilled at approximately 880 feet from the east and west boundaries and down the long axis of the spacing unit. Utilization of horizontal drilling technology as proposed would result in the wells being completed at a location or locations not in compliance with current applicable spacing orders for the Bakken Pool or NDAC Section 43-02-03-18. The horizontal well designs proposed may be preliminary and could be changed for various reasons which is permissible as long as the horizontal well design still justifies the proposed spacing unit.

(8) Allowing such common drilling pads will reduce the expenditure of funds on surface facilities and enhance the economics of production, thereby preventing economic waste and promoting the greatest ultimate recovery of oil and gas from the Dickinson-Bakken Pool. Utilization of such common drilling pads will improve the timing and economics of connecting wells to gas gathering systems thereby reducing gas flaring and will minimize surface disturbance and enhance the aesthetic values resulting from fewer or concentrated production facilities.

(9) The Commission enforces a policy which requires measurement inaccuracies in the directional survey equipment be considered when the angle between the horizontal lateral and the corresponding spacing unit boundary is ten degrees or less. Waiving potential tool error in the directional survey equipment when calculating the bottom hole location of any horizontal lateral in spacing units which allow multiple horizontal wells will allow said spacing units to be more efficiently developed.

(10) The Commission will take administrative notice of the testimony given in Case No. 12246 which was scheduled on a motion of the Commission to consider amending the current Bakken Pool field rules to eliminate or reduce the setbacks currently established for the heel and toe of horizontal wells in North Dakota, and such other relief as is appropriate, heard on March 23, 2010. Order No. 14498 entered in Case No. 12246 amended all current 660 or 500-foot setback requirements in any established Bakken Pool spacing unit or drilling unit relative to the heel and toe of a horizontal well to 200 feet.

(11) There were no objections to this application.

(12) If Hess' activities are successful, greater ultimate recovery of oil and gas from the pool will be achieved which will prevent waste and the drilling of unnecessary wells in a manner which will not have a detrimental effect on correlative rights.

IT IS THEREFORE ORDERED:

(1) Sections 5 and 8, Township 140 North, Range 96 West, Stark County, North Dakota, are hereby established as a standup 1280-acre spacing unit for the exclusive purpose of drilling up to six horizontal wells within said spacing unit within the Dickinson-Bakken Pool and Zone III is hereby created to include said spacing unit. Existing and future vertical and directional wells drilled within the spacing unit herein established shall not be subject to this order.

(2) The Director is hereby authorized to exercise continuing jurisdiction in this matter to determine whether a horizontal well proposed or drilled upon the 1280-acre spacing unit herein established has justified the creation of such unit, to require amendments or modifications to the permit to drill for such horizontal well, and to deny a permit to drill in the event a well is proposed to be drilled in a manner inconsistent with the evidence that justified such spacing unit.

(3) The operator of the first producing well in the Dickinson-Bakken Pool shall submit exhibits to be included in the record for Case No. 16305 similar to those typically submitted in a temporary spacing hearing. Such exhibits shall be submitted within 120 days after completing said well.

(4) Provisions established herein for the Dickinson-Bakken Pool are for the exclusive purpose of drilling horizontal wells. Existing and future vertical and directional wells drilled within the area defined in paragraph (5) below shall not be subject to this order.

(5) The Dickinson Field is hereby redefined as the following described tracts of land in Stark County, North Dakota:

TOWNSHIP 140 NORTH, RANGE 97 WEST, 5TH PM
ALL OF SECTIONS 13, 14, 15, 22, 23, 24, 25, 26, 27, 33, 34, 35 AND 36,

TOWNSHIP 140 NORTH, RANGE 96 WEST, 5TH PM
ALL OF SECTIONS 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28, 29, 30, 31, 32 AND 33,

TOWNSHIP 139 NORTH, RANGE 97 WEST, 5TH PM
ALL OF SECTIONS 1, 2*, 3* AND 10*,

*The SW/4 SE/4, the S/2 SW/4, and the S/2 NW/4 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the E/2 E/2 of Section 10 are also within the Eland Field.

TOWNSHIP 139 NORTH, RANGE 96 WEST, 5TH PM
ALL OF SECTIONS 5 AND 6.

(6) The Dickinson-Bakken Pool is hereby defined as the following described tracts of land in Stark County, North Dakota:

ZONE I (1280H-STANDUP)

TOWNSHIP 140 NORTH, RANGE 97 WEST, 5TH PM
ALL OF SECTIONS 13, 14, 23, 24, 25, 26, 27, 34, 35 AND 36,

TOWNSHIP 140 NORTH, RANGE 96 WEST, 5TH PM
ALL OF SECTIONS 6, 7, 14, 15, 16, 17, 18, 19, 20, 21, 22 AND 23,

TOWNSHIP 139 NORTH, RANGE 97 WEST, 5TH PM
ALL OF SECTIONS 3* AND 10*.

*The E/2 SE/4 of Section 3, and the E/2 E/2 of Section 10 are also within the Eland Field.

ZONE II (4/1280H-STANDUP)

TOWNSHIP 140 NORTH, RANGE 97 WEST, 5TH PM
ALL OF SECTIONS 15 AND 22.

ZONE III (6/1280H-STANDUP)

TOWNSHIP 140 NORTH, RANGE 96 WEST, 5TH PM
ALL OF SECTIONS 5 AND 8.

(7) The Dickinson-Bakken Pool is hereby defined as that accumulation of oil and gas found in the interval from below the base of the Lodgepole Formation to 100 feet below the top of the Three Forks Formation within the limits of the field as set forth above.

(8) The temporary spacing for the development of Zone I in the Dickinson-Bakken Pool is hereby set at one horizontal well per standup 1280-acre spacing unit.

(9) All portions of the well bore not isolated by cement of any horizontal well in Zone I in the Dickinson-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment need not be considered except when deemed necessary by the Director.

(10) Sections 13 and 24; Sections 14 and 23; Sections 25 and 36; Sections 26 and 35; Sections 27 and 34, Township 140 North, Range 97 West; Sections 6 and 7; Sections 14 and 23; Sections 15 and 22; Sections 16 and 21; Sections 17 and 20; Sections 18 and 19, Township 140 North, Range 96 West; and Sections 3* and 10*, Township 139 North, Range 97 West, Stark County, North Dakota, are hereby designated standup 1280-acre spacing units in Zone I in the Dickinson-Bakken Pool.

*The E/2 SE/4 of Section 3, and the E/2 E/2 of Section 10 are also within the Eland Field.

(11) Spacing units hereafter created in Zone I in the Dickinson-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(12) Zone I in the Dickinson-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(13) The temporary spacing for the development of Zone II in the Dickinson-Bakken Pool is hereby set at up to four horizontal wells per standup 1280-acre spacing unit.

(14) All portions of the well bore not isolated by cement of any horizontal well in Zone II in the Dickinson-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(15) Sections 15 and 22, Township 140 North, Range 97 West, Stark County, North Dakota, are hereby designated a standup 1280-acre spacing unit in Zone II in the Dickinson-Bakken Pool.

(16) Spacing units hereafter created in Zone II in the Dickinson-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(17) Zone II in the Dickinson-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(18) The temporary spacing for the development of Zone III in the Dickinson-Bakken Pool is hereby set at up to six horizontal wells per standup 1280-acre spacing unit.

(19) All portions of the well bore not isolated by cement of any horizontal well in Zone III in the Dickinson-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(20) Sections 5 and 8, Township 140 North, Range 96 West, Stark County, North Dakota, are hereby designated a standup 1280-acre spacing unit in Zone III in the Dickinson-Bakken Pool.

(21) Spacing units hereafter created in Zone III in the Dickinson-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(22) Zone III in the Dickinson-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(23) The operator of any horizontally drilled well in the Dickinson-Bakken Pool shall cause to be made a directional survey of the well bore. The directional survey contractor shall file a certified survey with the Commission within 30 days after completion of the well in accordance with NDAC Section 43-02-03-25. The survey shall be of sufficient quality to enable the Commission to determine the entire completion location of the well and its terminus.

(24) The Director is hereby authorized to exercise continuing jurisdiction to determine whether any well proposed or drilled upon any spacing unit herein established has justified the creation of such unit, to require amendments or modifications to the permit to drill for such well, and to deny a permit to drill in the event a well is proposed to be drilled in a manner inconsistent with the evidence that justified the spacing requirements in the Dickinson-Bakken Pool.

(25) The Commission shall have continuing jurisdiction in this matter and specifically reserves the authority, upon its own motion or the motion of any interested party, to: (1) review the spacing requirements for the Dickinson-Bakken Pool; (2) determine whether the separate zones of spacing established herein are warranted; and, (3) make such further amendments or modifications to the spacing requirements for the Dickinson-Bakken Pool as the Commission deems appropriate.

(26) No well shall be hereafter drilled or produced in the Dickinson-Bakken Pool, as defined herein, except in conformity with the regulations above without special order of the Commission after due notice and hearing.

(27) The following rules concerning the casing, tubing and equipping of wells shall apply to the subsequent drilling and operation of wells in the Dickinson-Bakken Pool:

- (a) The surface casing shall consist of new or reconditioned pipe that has been previously tested to 1000 pounds per square inch. The casing shall be set and cemented at a point not less than 50 feet below the base of the Fox Hills Formation. Sufficient cement shall be used to fill the annular space outside the pipe to the surface of the ground or the bottom of the cellar, and sufficient scratchers and centralizers shall be used to assure a good cement job. Cement shall be allowed to stand a minimum of 12 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21. After cementing, the casing shall be tested by application of pump pressure of at least 1500 pounds per square inch. If, at the end of 30 minutes this pressure shall have dropped 150 pounds per square inch or more, the casing shall be repaired. Thereafter, the casing shall again be tested in the same manner. Further work shall not proceed until a satisfactory test has been obtained;
- (b) The producing or oil string shall consist of new or reconditioned pipe that has been previously tested to 2000 pounds per square inch. Casing shall be set and cemented at a point not higher than the top of the producing formation, or at a point approved by the Director. Sufficient cement shall be used and applied in such manner to protect and isolate all formations containing oil and/or gas, protect the pipe through salt sections encountered, and to isolate the Dakota-Lakota Series. The cement shall be allowed to stand a minimum of 15 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21. After cementing, the casing shall be tested by application of pump pressure of at least 1500 pounds per square inch. If, at the end of 30 minutes this pressure shall have dropped 150 pounds per square inch or more, the casing shall be repaired. Thereafter, the casing shall again be tested in the same manner. Further work shall not proceed until a satisfactory test has been obtained;
- (c) All well-head fittings and connections shall have a working pressure in excess of that to which they are expected to be subjected; and,

- (d) All wells shall be equipped with tubing; a tubing packer must also be utilized in flowing wells unless a waiver is obtained from the Director after demonstrating the casing will not be subjected to excessive pressure or corrosion; all tubing shall be of sufficient internal diameter to allow the passage of a bottom hole pressure gauge for the purpose of obtaining bottom hole pressure measurements.

(28) The gas-oil ratio of all wells not connected to a gas gathering system shall be measured annually during the month of May. The reservoir pressure shall be measured in any well completed in the Dickinson-Bakken Pool if deemed necessary by the Director. Drill stem test pressures are acceptable for determining reservoir pressure. Pressure measurements shall be made at or adjusted to a subsea datum of 7450 feet. All gas-oil ratio and reservoir pressure determinations shall be made by methods approved by the Director and reported to the Director within 15 days following the end of the month in which they are determined. The Director is authorized to waive these requirements if the necessity therefore can be demonstrated to his satisfaction. All additional gas-oil ratio and reservoir pressure determinations conducted on any well, but not specially required herein, shall be reported to the Director within 15 days following the end of the month in which they are determined.

(29) No saltwater, drilling mud, crude oil, or waste oil shall be stored in pits in this field, except in an emergency, and approved by the Director.

(30) For the purposes of division of production to owners of interests in spacing units established by this order, and proven productive prior to the date hereof, this order shall be retroactive to the date of first production.

(31) All wells completed in the Dickinson-Bakken Pool shall be allowed to produce at a maximum efficient rate through August 31, 2012.

(32) After August 31, 2012, all wells in the Dickinson-Bakken Pool shall be allowed to produce at a maximum efficient rate for a period of 60 days commencing on the first day oil is produced through well-head equipment into tanks from the ultimate producing interval after casing has been run; after that, oil production from such wells shall not exceed an average of 200 barrels per day for a period of 60 days; after that, oil production from such wells shall not exceed an average of 150 barrels per day for a period of 60 days, thereafter, oil production from such wells shall not exceed an average of 100 barrels of oil per day; if and when such wells are connected to a gas gathering and processing facility the foregoing restrictions shall be removed, and the wells shall be allowed to produce at a maximum efficient rate. The Director is authorized to issue an administrative order allowing unrestricted production at a maximum efficient rate for a period not to exceed 120 days, commencing on the first day oil is produced through well-head equipment into tanks from the ultimate producing interval after casing has been run, if the necessity therefor can be demonstrated to his satisfaction.

(33) If the flaring of gas produced with crude oil from the Dickinson-Bakken Pool causes, or threatens to cause, degradation of ambient air quality, production from the pool shall be further restricted.

(34) This order shall cover all of the Dickinson-Bakken Pool, common source of supply of crude oil and/or natural gas as herein defined, and shall continue in full force and effect until the

31st day of May, 2015. If the Dickinson-Bakken Pool is still producing, the proper spacing for the pool will be considered by the Commission on or before its regularly scheduled hearing date in April, 2015. If, however, the Dickinson-Bakken Pool is no longer producing when the proper spacing is to be considered, the Commission, at its own discretion, may refrain from scheduling a proper spacing hearing and may, without further notice, enter an order dismissing the proper spacing matter.

Dated this 18th day of May, 2012.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director