

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 19456
ORDER NO. 21758

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO
CONSIDER THE APPLICATION OF SM
ENERGY CO. FOR AN ORDER PURSUANT TO
NDAC § 43 02-03-88.1 POOLING ALL
INTERESTS IN A SPACING UNIT DESCRIBED
AS SECTIONS 17 AND 20, T.163N., R.99W.,
AMBROSE-BAKKEN POOL, DIVIDE COUNTY,
ND, AS PROVIDED BY NDCC § 38-08-08, AND
SUCH OTHER RELIEF AS IS APPROPRIATE.

ORDER OF THE COMMISSION

THE COMMISSION FINDS:

- (1) This cause came on for hearing at 9:00 a.m. on the 16th day of January, 2013.
- (2) Pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.1, the Director is authorized to sign, on behalf of the Commission, orders relating to, inter alia, pooling under North Dakota Century Code (NDCC) Section 38-08-08.
- (3) The applicant is the owner of an interest in an oil and gas leasehold estate in a spacing unit described as all of Sections 17 and 20, Township 163 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota.
- (4) Said spacing unit is created in accordance with an order of the Commission and there are separately owned tracts and/or separately owned interests in the spacing unit, and some of the owners thereof have not voluntarily pooled their interests for the development and operation of said spacing unit.
- (5) The Commission makes no findings with regard to the specific acreage or percentage attributed to separately owned tracts or interests.
- (6) Counsel for applicant requests an order of the Commission pooling all interests in the spacing unit.
- (7) There were no objections to this application.
- (8) NDCC Section 38-08-08 requires the Commission to enter a pooling order upon application when two or more separately owned tracts are embraced within a spacing unit, or there are separately owned interests in all or a part of a spacing unit, in the absence of voluntary pooling. The section further provides that working interest owners in the spacing unit shall pay their share of the reasonable actual cost of drilling and operating the well plus a reasonable charge for supervision. In addition to such costs and charges, nonparticipating lessees may be

required to pay a risk penalty of 200 percent and unleased mineral interest owners may be required to pay a risk penalty of 50 percent of their share of the reasonable actual cost of drilling and completing the well. This application is not a petition for a risk penalty, therefore the Commission makes no findings with regard to whether any particular owner with an interest in the spacing unit at issue in this application may impose a risk penalty against any other owner. The requirements for imposition of a risk penalty are set forth in NDCC Section 38-08-08 and NDAC Section 43-02-03-16.3.

(9) This application should be granted in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) All oil and gas interests in a spacing unit described as all of Sections 17 and 20, Township 163 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, are hereby pooled for the development and operation of the spacing unit.

(2) This pooling shall not determine or establish the specific acreage to be attributed to separately owned tracts, or specific interests attributed to separately owned interests in such tracts or stratigraphic intervals.

(3) The operator of the well(s) for the spacing unit shall conduct operations in a manner so as to protect correlative rights of all interested parties.

(4) All owners of interests shall recover or receive, without unnecessary expense, their just and equitable share of production from the spacing unit in the proportion as their interests may appear in the spacing unit.

(5) The working interest owners shall reimburse the operator for their proportionate share of the reasonable actual cost of drilling and operating said well(s), plus a reasonable charge for supervision.

(6) In the event of any dispute as to such costs the Commission shall determine the proper cost.

(7) In the event the size of the spacing unit pooled herein is modified by the Commission, this order shall terminate as of the date of such order.

(8) This order shall be effective from the date of first operations within the spacing unit, and shall remain in full force and effect until further order of the Commission.

Dated this 13th day of February, 2013.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director