

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 19895
ORDER NO. 22202

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO
CONSIDER THE APPLICATION FOR AN
ORDER AMENDING THE FIELD RULES FOR
THE AMBROSE-BAKKEN POOL, DIVIDE
COUNTY, ND, TO ALLOW THE FLARING OF
GAS AND UNRESTRICTED PRODUCTION OF
OIL FROM WELLS NOT CONNECTED TO A
GAS GATHERING FACILITY UNTIL THE
SAME CAN BE CONNECTED 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 28th day of March, 2013.
- (2) Baytex Energy USA LTD (Baytex) and Samson Resources Company (Samson) made application to the Commission for an order amending the field rules for the Ambrose-Bakken Pool, Divide County, North Dakota, to allow the flaring of gas and unrestricted production of oil from wells not connected to a gas gathering facility until the same can be connected and such other relief as is appropriate.
- (3) Samson provided telephonic testimony in this matter, pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.2. The Telephonic Communication Affidavit was received on April 16, 2013, therefore, such testimony may be considered evidence. Baytex did not provide any testimony in this matter.
- (4) Order No. 20561 provides that all wells in the Ambrose-Bakken Pool shall be allowed to produce at a maximum efficient rate through March 31, 2013, thereafter all wells 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.

(5) The Ambrose-Bakken Pool is an oil reservoir, but gas is produced in association with the oil at the wellhead as a by-product of oil production.

(6) Samson owns leasehold interests in various lands within the Ambrose-Bakken Pool. Some of the wells in the pool are not connected to a gas gathering system and pursuant to Order No. 20561, production from several of the wells might soon be restricted. Operators are prudently attempting to connect the wells to a gas gathering system.

(7) Development of the Ambrose-Bakken Pool is currently ongoing. The value of the oil produced far exceeds the value of any gas produced in association with the oil and curtailment of oil production increases the time it takes to recover drilling and completion costs. Allowing wells to produce at a maximum efficient rate will allow valuable information to be obtained in order to make decisions with regard to future wells.

(8) Allowing all wells to produce crude oil at an unrestricted maximum efficient rate from the Ambrose-Bakken Pool and flare any surplus gas produced until September 30, 2013, will provide for the effective and efficient recovery of oil from said pool, encourage rapid development, avoid the drilling of unnecessary wells, and prevent waste in a manner that will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) All current wells and all wells hereafter completed in the Ambrose-Bakken Pool shall be allowed to produce at a maximum efficient rate through September 30, 2013.

(2) After September 30, 2013, all wells in the Ambrose-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 is not to exceed an average of 200 barrels per day for a period of 60 days, after that, oil production from such wells is not to exceed an average of 150 barrels per day for a period of 60 days, thereafter, oil production from such wells is not to 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 are removed, and the wells are 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.

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

Dated this 10th day of May, 2013.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director