

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 20736
ORDER NO. 23041

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO
CONSIDER THE APPLICATION OF SM
ENERGY CO. FOR AN ORDER AMENDING
THE APPLICABLE ORDERS FOR THE
AMBROSE-BAKKEN POOL, DIVIDE COUNTY,
ND, TO ALLOW ALL WELLS TO PRODUCE
OIL AT AN UNRESTRICTED RATE AND
FLARE GAS PRODUCED IN ASSOCIATION
THEREWITH UNTIL JUNE, 2014, OR SUCH
OTHER TIME AS MAY BE ESTABLISHED BY
THE COMMISSION, OR FOR SUCH OTHER
RELIEF AS MAY BE 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 August, 2013.
- (2) SM Energy Company (SM Energy) 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 September 9, 2013, therefore, such testimony may be considered evidence.
- (3) SM Energy made application to the Commission for an order amending the applicable orders for the Ambrose-Bakken Pool, Divide County, North Dakota, to allow all wells to produce oil at an unrestricted rate and flare gas produced in association therewith until June, 2014, or such other time as may be established by the Commission, or for such other relief as may be appropriate.
- (4) Order No. 22966 provides that all wells in the Ambrose-Bakken Pool shall be allowed to produce at a maximum efficient rate through September 30, 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) SM Energy 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. 22966, 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 January 31, 2014, 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 January 31, 2014.

(2) After January 31, 2014, 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 20th day of November, 2013.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director