

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 28522
(CONTINUED)
ORDER NO. 31042

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO REVIEW
THE TEMPORARILY ABANDONED STATUS
OF THE SCOUT ENERGY MANAGEMENT LLC
#08 DICKINSON-HEATH-SAND UNIT (FILE NO.
4919) LOCATED IN THE NWSE OF SECTION 22,
T.140N., R.96W., DICKINSON FIELD, STARK
COUNTY, ND, PURSUANT TO NDCC § 38-08-
04.

ORDER OF THE COMMISSION

THE COMMISSION FINDS:

(1) This cause originally came on for hearing at 9:00 a.m. on the 30th day of July, 2020. Scout Energy Management LLC (Scout) filed a request on July 28, 2020 to continue this matter to the regularly scheduled hearing in August 2020. There were no objections, the hearing examiner granted the request, and this case was scheduled for hearing on August 27, 2020.

(2) This hearing is on a motion of the Commission to review the temporarily abandoned (TA) status of the Scout #08 Dickinson-Heath-Sand Unit well (File No. 4919) located in the NW/4 SE/4 of Section 22, Township 140 North, Range 96 West, Stark County, North Dakota (Section 22), in the Dickinson Field, pursuant to North Dakota Century Code (NDCC) Section 38-08-04.

(3) NDCC Section 38-08-04(1)(a)(12) states in part: "A surface owner may request a review of the temporarily abandoned status of a well that has been on temporarily abandoned status for at least seven years. The commission shall require notice and hearing to review the temporarily abandoned status. After notice and hearing, the surface owner may request a review of the temporarily abandoned status every two years."

(4) The Commission received a letter attached to an email June 15, 2020 from Ron Kary (Kary), the surface owner of the SE/4 of Section 22, requesting the Dickinson-Heath-Sand Unit #08 well be plugged and the site reclaimed so the land can be returned to farm production for now. Kary has future plans to develop the area into residential and commercial lots since it is in the Dickinson Master Plan. Kary believes the well devalues his property and has not received compensation or improvement to the access road and well site, and has endured loss of production, weeds, and misuse of the location.

(5) The SE/4 of Section 22 is within the Dickinson extra territorial limits and adjoining the city limits.

(6) Kary previously requested the Dickinson-Heath-Sand Unit #08 well be plugged and the site reclaimed in Case 24708 heard February 24, 2016. Order 27069 issued in Case 24708 on April 7, 2016, affirmed the TA status.

(7) The original TA status for the Dickinson-Heath-Sand Unit #08 well was approved by the Commission on October 18, 1989 and the well has been on TA status since. Scout became the operator of the Dickinson-Heath-Sand Unit #08 well on June 15, 2017.

(8) The Dickinson-Heath-Sand Unit #08 well is located in the Dickinson-Heath-Sand Unit, a secondary recovery unit. The well was completed in the Heath Pool on August 4, 1970 and produced 3,964 barrels of oil and 2,548 barrels of water from its completion through April 1976, averaging 2.73 barrels of oil per day.

The Dickinson-Heath-Sand Unit #08 well was completed as an injection well in the Dickinson-Heath-Sand Unit and injected 517,197 barrels of water from first injection on August 24, 1978 through July 1988. Scout testified Conoco Inc. (Conoco), the operator at the time, fracture stimulated the well in December 1987 and the job screened out, and that Conoco returned the well to injection without cleaning out the well and the injection rate declined shortly thereafter. Scout testified it would make a bit and scraper run to clear the perforations prior to returning the well to injection.

The Commission notes that during the months of April, May, June, and July of 1988 the well averaged 41.25 barrels per month of injection.

The Commission also notes the injection zone is currently squeezed with 25 sacks of cement through a cast iron cement retainer set at a depth of 7,775 feet.

(9) Scout testified there are two active injection wells in the Dickinson-Heath-Sand Unit, the Dickinson-Heath-Sand Unit #25 well (File No. 4293) and the Dickinson-Heath-Sand Unit #45 well (File No. 5370), and one saltwater disposal well, the Dickinson-Heath-Sand Unit #23 well (File No. 4307). Scout estimates the capacity to inject in these three wells is 3,200 barrels of water per day. These three wells inject water from the approximately 15 producing wells in the Dickinson-Heath-Sand Unit and the Scout #1 Kadrmas 36 well (File No. 13790) and the Scout #2 Frenzel 36 well (File No. 14414), both in the West Dickinson-Lodgepole Unit in the Dickinson Field. Scout estimates the producing wells produce 2,900 barrels of water per day.

(10) Scout testified it began receiving more water at the Dickinson-Heath-Sand Unit central production facility in August 2019 due to increased water production in the Kadrmas 36 #1 well causing concern the two injection wells and the saltwater disposal well may be unable to handle the saltwater coming in to the central production facility, particularly if one of the wells were to encounter injection issues. Scout testified it would have to truck saltwater from the central production facility if such issues arise and explored options such as chemical treatment of the injection wells and installing a new flowline from the central production facility to adjoining Dickinson injection wells.

(11) Scout testified the injections into the Dickinson-Heath-Sand Unit #25 well, the Dickinson-Heath-Sand Unit #45 well, and the Dickinson-Heath-Sand Unit #23 well approached

3,000 barrels of water per day during the first quarter in 2020 nearing the estimated 3,200 barrels per day injection capacity. The injections have since decreased due to the oil price collapse causing the shut-in of producing wells in the Dickinson-Heath-Sand Unit.

(12) Scout testified the Dickinson-Heath-Sand Unit has experienced the loss of available injection wells since the summer of 2018 due to the loss of three injection wells due to a flowline leak and the plugging of another injection well.

(13) Scout acknowledged the Dickinson-Heath-Sand Unit #08 well is not a candidate for conversion to a saltwater disposal well since the surface casing is not set and cemented at a point not less than fifty feet below the base of the Fox Hills Formation as is required for converted saltwater disposal wells pursuant to North Dakota Administrative Code Section 43-02-05-06(1).

(14) Scout testified the Dickinson-Heath-Sand Unit #08 well passed a mechanical integrity test on August 3, 2020. Commission field staff noted during the test that a flowline at the wellhead was leaking and needed to be repaired. The witness for Scout was not aware of the leak or if it had been repaired, or when the injection flowline to the well had been pressure tested.

(15) Scout acknowledged the Dickinson-Heath-Sand Unit #08 well is on the northeastern edge of the accumulation, was a poor producing well, and has previously demonstrated to be a poor injection well.

(16) Scout testified the nearest producing wells that would benefit from returning the Dickinson-Heath-Sand Unit #08 well to injection are the Scout #06 Dickinson-Heath-Sand Unit well (File No. 4831) and the Scout #18 Dickinson-Heath-Sand Unit well (File No. 4437).

(17) Scout testified the biggest benefit to returning the Dickinson-Heath-Sand Unit #08 well to injection is to assist in water handling from the central production facility.

(18) Scout testified it has no timeframe to return the Dickinson-Heath-Sand Unit #08 well to injection; that it would be on an as-needed basis.

(19) Scout acknowledged the Dickinson-Heath-Sand Unit is a large unit and there are other well candidates to return or convert to injection to assist in water handling from the central production facility.

(20) Scout testified it spent a considerable amount of time and money investigating the feasibility of a miscible gas flood in the Dickinson-Heath-Sand Unit, performing lab analyses and hiring a consulting firm to perform facility design work. Scout indicated the source of the gas would be from Lodgepole Units in the area. Scout was unsure if new flowlines would need to be installed to facilitate high-pressure gas injection but would take advantage of existing infrastructure as much as possible, acknowledging additional high-pressure flowlines would be required.

(21) Scout referred to the previous operator, C12 Energy: North Dakota, LLC, as having identified the Dickinson-Heath-Sand Unit as a candidate for enhanced recovery utilizing carbon dioxide. Scout did not indicate it was considering such an endeavor.

(22) Scout believes the Dickinson-Heath-Sand Unit #08 well has future utility to assist in the handling of produced water from the central production facility but acknowledged the flowline may have to be replaced if the well were to be returned to injection.

(23) The witness for Scout testified he had not read the June 15, 2020 letter from Kary.

(24) The Commission is unpersuaded by Scout's arguments; Scout has not demonstrated the Dickinson-Heath-Sand Unit #08 well is a good candidate for injection and testified there may be other suitable candidates for injection in the Dickinson-Heath-Sand Unit.

(25) The TA status for the Dickinson-Heath-Sand Unit #08 well should be revoked.

IT IS THEREFORE ORDERED:

(1) The temporarily abandoned status for the Scout Energy Management LLC #08 Dickinson-Heath-Sand Unit well (File No. 4919) located in the NW/4 SE/4 of Section 22, Township 140 North, Range 96 West, Stark County, North Dakota, in the Dickinson Field, is hereby revoked.

(2) Scout shall proceed with diligence to bring the Dickinson-Heath-Sand Unit #08 well into compliance with Commission rules.

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

Dated this 22nd day of September, 2020.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ Doug Burgum, Governor

/s/ Wayne Stenehjem, Attorney General

/s/ Doug Goehring, Agriculture Commissioner