

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 3223
(CONTINUED)
ORDER NO. 3696

IN THE MATTER OF A HEARING CALLED ON A
MOTION OF THE COMMISSION TO CONSIDER THE
APPLICATION OF THE LOUISIANA LAND &
EXPLORATION COMPANY FOR AN ORDER POOLING
ALL INTERESTS IN SPACING UNITS FOR THE
AMBROSE-DUPEROW POOL, DESCRIBED AS THE
NW/4 OF SECTION 14, THE NW/4 OF SECTION 13,
AND THE SE/4 OF SECTION 11, ALL IN T.163N., R.
99W., DIVIDE COUNTY, NORTH DAKOTA, AND
FURTHER TO PROVIDE FOR A 300% RECOUP OF
COSTS ADVANCED IN BEHALF OF NON-JOINING
LESSEES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Pursuant to legal notice this cause came on for hearing at 9:00 a.m.
on the 25 day of July, 1984, in Fargo, North Dakota, before the Industrial
Commission of North Dakota, hereinafter referred to as the "Commission."

Now on this 6th _ day of August __, 1984, the Commission, a
quorum being present, having considered the testimony adduced and the
exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the
Commission has jurisdiction of this cause and the subject matter thereof.

(2) That applicant is no longer desirous of seeking a 300% recoup of
costs.

(3) That the applicant is the owner of an interest in an oil and gas
leasehold estate in spacing units for the Ambrose-Duperow Pool described as
the NW/4 of Section 14, the NW/4 of Section 13, and the SE/4 of Section 11,
all in Township 163 North, Range 99 West, Divide County, North Dakota.

(4) That said tracts are spacing units established in accordance with
an order of the Commission and there are separately owned interests in said
spacing units, and some of the owners thereof have not voluntarily pooled
their interests for the development and operation of such spacing units.

(5) That Section 38-08-08 of the North Dakota Century Code 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.

IT IS THEREFORE ORDERED:

(1) That all oil and gas interests in spacing units for the
Ambrose-Duperow Pool described as the NW/4 of Section 14, the NW/4 of

Section 13, and the SE/4 of Section 11, Township 163 North, Range 99 West, Divide County, North Dakota, are hereby pooled for the development and operation of the spacing units, and that the well located thereon shall be the well for such spacing units.

(2) That Louisiana Land & Exploration Company shall be the operator of the well drilled on said spacing units.

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

(4) That all owners of interests shall recover or receive their just and equitable share of production from said spacing unit in the proportion as their interests may appear in the spacing units.

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

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

(7) That in the event the size of the spacing units in the Ambrose-Duperow Pool is modified by the Commission, this order shall terminate as of the date of such order.

(8) That in the event the operator of the well changes from Louisiana Land & Exploration Company, this order shall remain in full force and effect.

(9) That this order shall be effective from the date of first production, and shall remain in full force and effect until further order of the Commission.

Dated this 6th _ day of August __, 1984.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ Allen I. Olson _
Allen I. Olson, Governor

Robert O. Wefald, Attorney General

/s/ Kent Jones _
Kent Jones, Commissioner of Agriculture

STATE OF NORTH DAKOTA }
COUNTY OF BURLEIGH }

AFFIDAVIT OF
MAILING

I, F.E. Wilborn, being duly sworn upon oath, depose and say: That on the 10th day of August, 19 84, I enclosed in separate envelopes true and correct copies of the attached Order No. 3696 of the North Dakota Industrial Commission, and deposited the same with the United States Postal Service in Bismarck, North Dakota, with postage thereon fully paid, directed to the following persons, all of whom appeared at the hearing of the Industrial Commission in Case No. 3223 :

Banner Oil & Gas I, Ltd.
Attn: Omar L. Brown
Suite 3565 Anaconda Tower
555 17th St.
Denver, CO 80202

Aminoil Inc.
Attn: G. W. Denton
8000 E. Maplewood
Suite 300
Englewood, CO 80111

Cotton Petroleum Corp.
Attn: Glenn A. Otness
750 Ptarmigan Place
3773 Cherry Creek Drive North
Denver, CO 80209

Bass Enterprises Production Co.
Attn: T. C. Sirola
1000 Writer Square
1512 Larimer Street
Denver, CO 80202-1687

Berco Resources
Attn: William S. Bergner
490 Colorado State Bank Building
1600 Broadway
Denver, CO 80202

AM Resources, Inc.
Attn: Michael L. Laird
3116 1st Ave. North
Billings, MT 59101

AM Resources, Inc.
Attn: Alfred T. Bloomer
3116 1st Ave. North
Billings, MT 59101

Total Petroleum
Attn: William T. Orr
P.O. Box 500
Denver, CO 80201

Kenneth R. Berry, Jr.
P.O. Box 8478
Denver, CO 80201

Explor Energy Corp.
Allan R. Staker
1630 Welton Street
Suite 240
Denver, CO 80202

F.E. Wilborn
F.E. Wilborn
Deputy Enforcement Officer
Oil & Gas Division

Subscribed and sworn to before me this 14th day of August, 19 84.

On this 14th day of August, 19 84, before me personally appeared F.E. Wilborn to me known as the person described in and who executed the foregoing instrument and acknowledged that (s)he executed the same as his/her free act and deed.



Karen Guterkunst
Notary Public
State of ND County of Burleigh
My Commission expires 5-13-88

CASE FILE # 3223

BJELLA NEFF RATHERT WAHL & EIKEN

VERN C. NEFF
FRED C. RATHERT
AL. WAHL
DWIGHT C. EIKEN
GREG W. HENNESSY
PAUL W. JACOBSON
TIMOTHY L. KINGSTAD
WILLIAM E. McKECHNIE

A PROFESSIONAL CORPORATION
LAWYERS
DRAWER 1526
111 EAST BROADWAY
WILLISTON, NORTH DAKOTA 58801-0162
(701) 572-3794
ARLEY R. BJELLA
OF COUNSEL

August 8, 1984

Louisiana Land & Exploration Company
1675 Broadway
Suite 2100
Denver, CO 80202

ATTN: Mr. Dave Padgett

RE: Legislative action--"Risk bonus"

Dear Dave:

Following our conversation on August 8, 1984, and after putting some thought into the matter, I believe that it would be a grave mistake to attempt to make the amendment of Chapter 38-08 of the North Dakota Century Code a political issue. I believe that in doing so it may force people, particularly representatives or senators, to take stands that they do not necessarily agree with.

I do believe, however, that we should start lining up industry support so that once the election in November is over bipartisan support for such legislation can be secured. We may also want to work on some rough drafts of proposed legislation.

Sincerely yours,

BJELLA NEFF RATHERT WAHL & EIKEN

FRED C. RATHERT

FCR:bd1

cc: Mr. John W. Morrison
Mr. Wes Norton
Mr. Owen Anderson



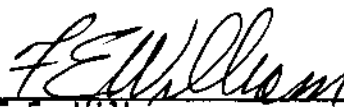
STATE OF NORTH DAKOTA }
COUNTY OF BURLEIGH }

AFFIDAVIT OF
MAILING

I, F.E. Wilborn, being duly sworn upon oath, depose and say: That on the 24th day of July, 19 84, I enclosed in separate envelopes true and correct copies of the attached Order No. 3667 of the North Dakota Industrial Commission, and deposited the same with the United States Postal Service in Bismarck, North Dakota, with postage thereon fully paid, directed to the following persons, all of whom appeared at the hearing of the Industrial Commission in Case No. 3223:

C. Holecek
Box 586
Bowman, ND 58623

Douglas L. Johnson
220 N 4th St.
P.O. Box 2056
Bismarck, ND 58502-2056



F.E. Wilborn
Deputy Enforcement Officer
Oil & Gas Division

Subscribed and sworn to before me this 25th day of July, 19 84.

On this 25th day of July, 19 84, before me personally appeared F.E. Wilborn to me known as the person described in and who executed the foregoing instrument and acknowledged that (s)he executed the same as his/her free act and deed.



Notary Public

State of ND County of Burleigh
My Commission expires 5-13-88



BANNER OIL & GAS I, LTD.

SUITE 3565 ANACONDA TOWER • 555 SE VENTTEENTH STREET
DENVER, COLORADO 80202 (303) 293-2781

TELEGRAM

July 23, 1984



North Dakota Industrial Commission
Oil & Gas Division
State Capital Building
Bismarck, North Dakota 58505

Gentlemen:

Please be advised that Banner Oil & Gas I, Ltd. supports and concurs in the application of The Louisiana Land and Exploration Company in Case Number 3223 to be heard on July 24 and 25, to provide for 300% recoupment of costs advanced on behalf of non-joining lessees.

Sincerely,

Omar L. Brown
General Partner

OLB/t1

cc: The Louisiana Land and Exploration Company,
Attn: P. D. Padgett
W. Merle Freeman
Cliff Pope

BANNER OIL & GAS LTD
555 17 ST SUITE 3565
DENVER CO 80202 23AM

Western
Union Mailgram

A-0394938205003 07/23/84 ICS IPMMI77 CSP BMKB
2 3032932781 MGM IDMT DENVER CO 07-23 0249P EST

NORTH DAKOTA INDUSTRIAL COMMISSION
(RUSH URGENT MST FONE TODAY)
ATTN OIL AND GAS DIVISION
STATE CAPITOL BLDG
BISMARCK ND 58505



THIS IS A CONFIRMATION COPY OF A TELEGRAM ADDRESSED TO YOU:

GENTLEMEN:

PLEASE BE ADVISED THAT BANNER OIL AND GAS ONE LTD SUPPORTS AND
CONCURS IN THE APPLICATION OF THE LOUISIANA LAND AND EXPLORATION
COMPANY IN CASE NO. 3223 TO BE HEARD ON JULY 24 AND 25, TO PROVIDE
FOR 300 PERCENT RECOUPMENT OF COSTS ADVANCED ON BEHALF OF NON-JOINING
LEASES.

SINCERELY

OMAR L BROWN
555 17 ST SUITE 3565
DENVER CO 80202

1450 EST

MGMCOMP MGM

G W DENTON, AREA MANAGER, AMINOIL
3000 E MAPLEWOOD SUITE 300
ENGLEWOOD CO 80111 23AM

Union Mailgram

4-037956S205 07/23/84 ICS 1PMENBZ CSP BMKA
3036S42800 MOMB TDBN DENVER CO 170 07-23 0235P EST

Case # 3223

► NORTH DAKOTA INDUSTRIAL COMMISSION
STATE CAPITOL BLDG
BISMARCK ND 58505

SUB: APPLICATION OF LOUISIANA LAND AND EXPLORATION COMPANY
CASE NO. 3223 AMBROSE FIELD DUPEROW POOL

GENTLEMEN

ON JULY 24 AND 25 LOUISIANA LAND AND EXPLORATION COMPANY HAS A
HEARING SCHEDULED BEFORE THE COMMISSION IN THE CAPTIONED CASE. ONE OF
THE ISSUES RAISED IN LL&E'S APPLICATION IS RISK COMPENSATION FOR
PARTYS WHEN CERTAIN LESSEES REFUSE TO PARTICIPATE, FARM OUT, SELL OR
COOPERATE IN ANY MANNER IN DRILLING A WELL BUT INSTEAD CHOOSE TO RIDE
THE WELL DOWN.

AMINOIL SUPPORTS LL&E'S CONTENTION THAT THE PARTYS WHO DO PARTICIPATE
IN A WELL SHOULD BE ALLOWED TO RECOVER RISK COMPENSATION GREATER THAN
THE PRESENTLY ALLOWED RECOVERY OF 100-0/0 OF ACTUAL COSTS. THE ACTUAL
COSTS SHOULD INCLUDE RISK COMPENSATION EQUAL TO 300-0/0 TO PROMOTE
MORE DRILLING ACTIVITY IN THE STATE OF NORTH DAKOTA AND PROTECT THE
CORRELATIVE RIGHTS OF THOSE PARTICIPATING IN A WELL OR FARMING OUT
THEIR INTERESTS.

SINCERELY YOURS,
G W DENTON, AREA MANAGER, AMINOIL INC
3000 E MAPLEWOOD SUITE 300
ENGLEWOOD CO 80111

1437 EST

YGMCOMP NGM

Bass Enterprises Production Co.

1000 Writer Square
1512 Larimer Street
Denver, Colorado 80202-1687
(303) 571-1314



July 20, 1984 ✓

North Dakota Industrial Commission
Oil and Gas Division
State Capitol Building
Bismarck, ND 58505

Re: Application of The Louisiana Land and Exploration Company
Case No. 3223
Ambrose Field, Duperow Pool

Gentlemen:

Bass Enterprises Production Co., a Division of Bass Brothers Enterprises, Inc., and Perry R. Bass, Trustee (Bass), as active Operators in the State of North Dakota, concur with The Louisiana Land and Exploration Company's position as outlined in its application concerning risk compensation, which is scheduled for a Commission hearing on July 24 and 25, 1984.

The State of North Dakota regulations and statutes covering nonjoining lessees provide that participating parties be allowed to recover their reasonable actual costs before nonconsenting parties "back-in" for their proportionate share of production from the spacing unit. In other words, the State of North Dakota provides for only a 100% nonconsent penalty for owners/lessees who refuse to cooperate in operations to recover oil and/or gas. Oil industry standards covering nonconsent are three (3) to five (5) times greater than the State of North Dakota allows.

An owner/lessee who refuses to cooperate and participate in operations to recover oil and gas after reasonable efforts have been made to enjoin their participation not only creates more risk for the consenting participants, but also slows the pace of and reduces drilling activity. A 100% penalty for nonconsenting owners/lessees is clearly not reasonable for those who assume the risk to the nonconsenting party in an operation. The concept of "reasonable actual costs" should include risk compensation equal to the oil industry standards of 300% to 500%.

North Dakota Industrial Commission

July 20, 1984

Page 2

The State of North Dakota needs and Bass strongly supports LL&E's position in this matter.

Very truly yours,

BASS ENTERPRISES PRODUCTION CO.,
a Division of Bass Brothers
Enterprises, Inc., and
PERRY R. BASS, TRUSTEE

A handwritten signature in cursive script, appearing to read "T. C. Sirolo".

T. C. Sirolo
Division Landman

MTF/TCS/vf

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 3223
ORDER NO. 3667

IN THE MATTER OF A HEARING CALLED
ON A MOTION OF THE COMMISSION TO
CONSIDER THE APPLICATION OF THE
LOUISIANA LAND & EXPLORATION
COMPANY FOR AN ORDER POOLING ALL
INTERESTS IN SPACING UNITS FOR THE
AMBROSE-DUPEROW POOL, DESCRIBED
AS THE NW/4 OF SECTION 14, THE NW/4
OF SECTION 13, AND THE SE/4 OF
SECTION 11, ALL IN T.163N., R.99W.,
DIVIDE COUNTY, NORTH DAKOTA, AND
FURTHER TO PROVIDE FOR A 300%
RECOUP OF COSTS ADVANCED IN
BEHALF OF NON-JOINING LESSEES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Pursuant to legal notice this cause came on for hearing at 9:00 a.m. on the 27 day of June, 1984, in Williston, North Dakota, before an examiner appointed by the Industrial Commission of North Dakota, hereinafter referred to as the "Commission."

NOW, on this 19th day of July, 1984, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That applicant requests this case be continued until the regularly scheduled hearing in July, 1984.

(3) That this case should be continued to the next regularly scheduled hearing in July, 1984.

IT IS THEREFORE ORDERED:

(1) That this case is hereby continued to the next regularly scheduled hearing in July, 1984.

Dated this 19th day of July, 1984.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ Allen I. Olson
Allen I. Olson, Governor

Robert O. Wefald, Attorney General

/s/ Kent Jones
Kent Jones, Commissioner of Agriculture

Cotton Petroleum Corporation

A United Energy Resources, Inc. Company

750 Plarmigan Place/3773 Cherry Creek Drive North/Denver, CO 80209/(303) 355-0101



July 18, 1984

North Dakota Industrial Commission
Oil & Gas Division
State Capitol Building
Bismarck, ND 58505

Re: Case No. 3223
July 25, 1984 Hearing

Gentlemen:

The docket for the July 25, 1984 hearing (Case No. 3223) has a motion to grant The Louisiana Land and Exploration Company recovery of 300 percent recoupment of costs for nonjoining partners. Cotton Petroleum Corporation, as an active Operator in North Dakota, strongly supports The Louisiana Land and Exploration Company's position that parties who will not deal in a prudent oilfield manner and "ride a well down" at no risk should not be able to become a working interest partner after a no-risk recovery of 100 percent of expenditures. Cotton strongly urges you to give serious consideration to granting the 300 percent recoupment requested by The Louisiana Land and Exploration Company.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Glenn A. Otness". The signature is fluid and cursive, with the first name being the most prominent.

Glenn A. Otness
Landman

GAO/clv

3223



RESOURCES, INC.

3116 FIRST AVENUE NORTH
BILLINGS, MONTANA 59101
(406) 252-8893



July 17, 1984

Chairman
North Dakota Industrial Commission
Oil & Gas Division
State Capitol Building
Bismark, ND 58505

Dear Mr. Chairman:

In recent years, it has become more and more difficult to cause wells to be drilled in the state of North Dakota. Recognizing costs are at an all time low, one would think that drilling activity would be higher than it actually is.

In our opinion, one significant problem is that some lessees may refuse to participate, farmout, sell, or cooperate in any manner. They can effectively "ride" a test to total depth with no risk whatsoever. Not many operators will accept this additional burden. The alternative is to move on to other prospects and, in some cases, other states.

There are several procedures which can be effective in causing more wells to be drilled in North Dakota. One is a force pooling procedure in which the commission orders all lessees to elect one of three options when a well is proposed: drill, farmout, or sell his interest in the drillsite. Fair and equitable terms of a farmout or sale are set by the commission. This procedure has been extremely successful in Oklahoma for many years.

A second procedure is to allow consenting parties to recoup 350% of their actual costs of drilling a well before non-consenting parties receive a share of a well's revenues. Most industry joint operating agreements have included terms similar to this for years.

Too many times over the years, a non-cooperative party with less than 50% of a potential drillsite has caused a test not to be drilled. There have been a few cases where lease speculators with

North Dakota Industrial Commission

July 17, 1984

Page 2

larger interest (greater than 50%) have refused to cooperate. Under the force pooling scenario, all parties would be treated equally and I believe we would see a significant jump in drilling activity within the state.

We would be happy to discuss the details of this proposal at your request.

Yours very truly,

A-M RESOURCES, INC.

Handwritten signature of Alfred T. Bloomer in cursive script, followed by a checkmark.

Alfred T. Bloomer,
Partner

Handwritten signature of Michael L. Laird in cursive script, followed by a checkmark.

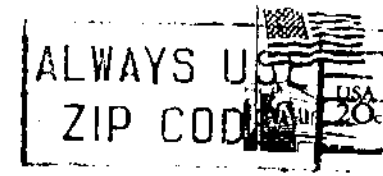
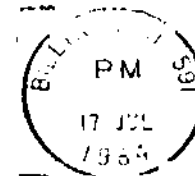
Michael L. Laird,
Partner

ATB:MLL/tgn



RESOURCES, INC.

3116 FIRST AVENUE NORTH
BILLINGS, MONTANA 59101
(406) 252-8893



CHAIRMAN
NORTH DAKOTA INDUSTRIAL COMMISSION
OIL & GAS DIVISION
STATE CAPITAL BUILDING
BISMARCK, ND 58505

3773 ✓

BERCO RESOURCES

July 16, 1984



North Dakota Industrial Commission
Oil and Gas Division
State Capitol Building
Bismarck, North Dakota 58505

Re: Risk Compensation

Gentlemen:

Our company is involved in oil and gas exploration throughout North Dakota and the purpose of this letter is to encourage the North Dakota Industrial Commission to seriously consider the matter of risk compensation to parties who are confronted by oil and gas lessees refusing to participate, farmout, sell or otherwise cooperate in oil and gas exploration in North Dakota. It is my understanding that the State of North Dakota currently provides for the recovery of reasonable actual costs incurred under these situations. The present policy is not practical and will not encourage exploration throughout your state where these situations arise because there is no incentive for a non-cooperating party to support a test well.

Oil and gas exploration is a risky business and requires a large amount of capital. This capital cannot be raised by our industry when a risk compensation issue develops unless the proper incentives are offered to the drilling party. In North Dakota the problem of risk compensation will become a larger and larger issue since fee minerals are often split into several different owners under same land. A non-cooperating lessee has no incentive to negotiate and encourage exploration if there is no penalty for non-participation. Substantial penalties of 250% to 400% are often used in the oil and gas industry between parties to Operating Agreements. In addition, a number of states in the Mid-Continent region in the northern Rockies have adopted risk compensation penalties for non-participating parties. We at

3223

KENNETH R. BERRY, JR.

P.O. BOX 8478
DENVER, COLORADO 80201
303-761-2774



July 16, 1984

The North Dakota Industrial Commission
Oil & Gas Division
State Capitol Building
Bismarck, North Dakota 58505

Re: Case No. #3223
Pooling Request-LL&E

Gentlemen:

Through a letter from Mr. P. David Padgett of The Louisiana Land and Exploration Company I was made aware of LL&E's request (case no. #3223) to pool all the interests in the spacing units of Ambrose Field and to provide for the 300% recoupment of costs advanced in behalf of non-joining lessees.

As a participant in numerous forced pooling situations in the State of Oklahoma and as a mineral owner and leasehold owner in the State of North Dakota I can say that LL&E's request is a fair offer.

I would prefer that the State formulate a policy similar to Oklahoma's in that the forced pooled party has the option to either participate with the operator or grant the operator their interest. Mineral owners have the election to either participate or to lease.

There are protections for all parties involved, however, the main purpose is to foster drilling and to furnish the party willing to "risk" the funds the opportunity to drill the well without an individual or company benefiting from their risk.

I am sure that you have had requests of this type in the past, and with time, you will have more and more of these requests due the diverse mineral ownership in the State.

I advise you to grant LL&E's request. I also recommend that you review your current policy and seriously consider changing the regulations to benefit the industry which will encourage more drilling and in the long run benefit the State with greater revenues and more employment.

Yours very truly,


Kenneth R. Berry, Jr.

cc: Mr. P. David Padgett

Xplor Energy Corporation

1000 West 1st Street, Suite 200, Bismark, ND 58505
(701) 328-1111



July 13, 1984

Industrial Commission, North Dakota
Oil & Gas Division
900 E. Blvd.
Bismark, ND 58505

Xplor

Gentlemen:

The current tax structure of North Dakota, 11.5% total (5% severance, 6.5% extraction), makes continuing oil and gas operations in your state prohibitive. Xplor Energy Corporation, a small independent exploration firm, must turn to other areas that encourage outside operators rather than discourage them with excessive taxes.

Any proposals which would eliminate any part of these taxes would be supported by us. The proposal of obtaining relief by using locally produced products, such as drilling fluids, is an idea which has merit.

The oil industry is currently depressed by factors beyond our control. Your prohibitive taxes certainly add to these factors to discourage future operations in your state.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan R. Staker".

Allan R. Staker
Executive Vice President

ARS:jh

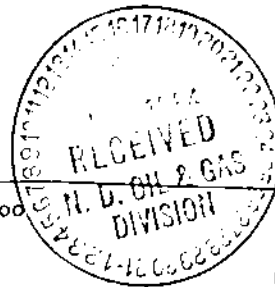
cc: Ron Black

TOTAL

Total Petroleum, Inc.

ONE DENVER PLACE - SUITE 3100
999 18TH STREET
DENVER, COLORADO

TELEPHONE 303 291-2000



MAILING ADDRESS
P. O. BOX 500
DENVER, COLORADO 80201

July 11, 1984

North Dakota Industrial Commission
Governor's Office
State Capitol
Bismarck, North 58505

Attention: Mr. Wesley D. Norton

RE: Case No. 3186 and
Case No. 3223

Gentlemen:

We take note that these cases, on the July docket, petition for 300% recoupment of costs as to non-consenting lessees.

Total has no interest in the lands or matters the subject of these Applications, however, Total is very much interested in continuing its drilling program in North Dakota on a basis upon which it may earn a profit. Taxes imposed are high and burden our economic analysis whenever a new well is proposed, but risks could be offset if a 300% penalty were available to us.

As you are very well aware, Section 38-08-08 provides for recoupment out of production of "actual costs" (my quotes) advanced under a pooling order. We wish to contend, for the record, that actual costs should encompass both the time value of monies advanced and the value of risking those monies in drilling and completion operations.

A 3 x recoupment would, we feel, closely approximate both of these costs. You are probably aware that the exploration industry has in essence conceded same because 300% has become the norm as a non-consent penalty in joint operating agreements between companies.

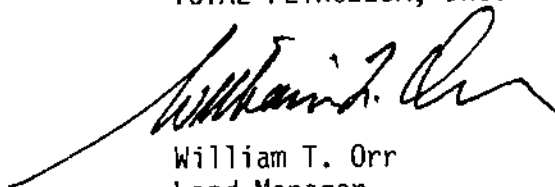
Without an operating agreement in force, however, our company too often will decline to accept a geologically supportable prospect because a computerized economic analysis, based only on 100% recovery of costs advanced by the driller, simply falls short of the profit threshold the industry and our company has to have to stay in business. Those of us who daily participate in drill or no-drill analyses have become acutely aware that if North Dakota were to interpret its code differently (similar, say, to Oklahoma) then the number of exploratory wells drilled in the state would be considerably increased. Specifically, quite a number of oil companies in Denver have fled the Williston Basin for more friendly economic climates or have chosen not to fully spend their allocated drilling budgets, in the face of both high taxes and adverse pooling regulations (or interpretations thereof by the NDIC).

North Dakota Industrial Commission
July 11, 1984
Page two

Will you please do whatever you can, both as to regulatory policy and with the next Legislature, to enhance our industry's ability to drill more exploratory wells in North Dakota? We would be pleased to plead this cause in person in the forum you recommend.

Very truly yours,

TOTAL PETROLEUM, INC.

A handwritten signature in black ink, appearing to read "William T. Orr", with a long, sweeping horizontal line extending to the left.

William T. Orr
Land Manager

WTO/tlw

Wheeler, Wolf, Peterson, Schmitz, McDonald & Johnson

*A Professional Corporation
Attorneys and Counselors at Law*

F. W. WHEELER
ALBERT A. WOLF
DAVID L. PETERSON
GREGG D. SCHMITZ
JACK McDONALD, JR.
CHARLES E. JOHNSON
FRANK W. WIKENHEISER
WILLIAM D. SCHMIDT
GREGORY C. LARSON
JO WHEELER JOHNSON
STEVEN L. LATHAM
LISA J. WHEELER
DOUGLAS L. JOHNSON

220 North Fourth Street
Post Office Box 2056
Bismarck, North Dakota 58502-2056
(701) 223-5300

Linton Office

FRANK J. WIKENHEISER
POST OFFICE BOX 427
LINTON, NORTH DAKOTA 58552
(701) 254-4836

June 21, 1984

Mr. Jack Wilborn
Deputy Enforcement Officer
North Dakota Industrial Commission
Oil & Gas Division
900 East Boulevard
Bismarck, North Dakota 58505

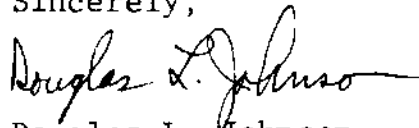
Re: Case No. 3223, Application of Louisiana Land
& Exploration Company for Order Pooling All Interests, etc.
Divide County, ND

Dear Mr. Wilborn:

On behalf of our client, Mission Ridge Enterprise, we hereby request a one month continuance in the above referenced case. Mission Ridge is a working interest owner in the area affected by the scheduled case. They only recently learned of the hearing and because of conflict of interest problems were unable to retain legal counsel to represent them until today. They have, therefore, not had adequate time to prepare for the case.

The attorneys for Louisiana Land and Exploration Company were contacted, and they have consented to a continuance.

Sincerely,


Douglas L. Johnson

dt

cc: Mission Ridge Enterprise
Fred C. Rathert
C. B. Thames
Lawrence Bender

C. B. Thames, Jr.

— ATTORNEY AT LAW —

PHONE 701-258-0690

314 E. THAYER, SUITE 100

P. O. BOX 1433

BISMARCK, NORTH DAKOTA 58502

3223

May 30, 1984

To: North Dakota Industrial Commission
900 E. Boulevard
Bismarck, North Dakota 58505

IN THE MATTER OF THE APPLICATION OF THE
LOUISIANA LAND AND EXPLORATION COMPANY
FOR AN ORDER OF THE COMMISSION POOLING
ALL INTERESTS IN SPACING UNITS OF THE
AMBROSE FIELD, DUPEROW POOL DESCRIBED AS
SECTION 14: NW $\frac{1}{4}$; SECTION 13: NW $\frac{1}{4}$; SECTION
11: SE $\frac{1}{4}$; ALL IN TOWNSHIP 163 NORTH, RANGE
99 WEST, DIVIDE COUNTY, NORTH DAKOTA AND
TO PROVIDE FOR A 300% RECOUP OF COSTS
ADVANCED IN BEHALF OF NON-JOINING LESSEES.

COMES NOW The Louisiana Land and Exploration Company of Suite
2100, Great West Life Tower, 1675 Broadway, Denver, Colorado 80202,
by and through its Attorney, C. B. Thames, Jr., P. O. Box 1433,
Bismarck, North Dakota, and respectfully shows the Commission as
follows:

1. That the Louisiana Land and Exploration Company is one of
the operators of wells in the Ambrose Field, Duperow Pool, Divide
County, North Dakota.
2. That NDIC Order No. 3215 dated 3 August 1983, set proper
spacing for the Ambrose Field, Duperow Pool as 160 acres per well.
3. That Applicant is the owner of leasehold interests and has
been designated as Operator for additional leasehold interests with-
in and adjacent to the pool boundaries in spacing units designated
as:

Section 14: NW $\frac{1}{4}$
Section 13: NW $\frac{1}{4}$
Section 11: SE $\frac{1}{4}$

all in Township 163 North, Range 99 West, Divide County, North Dakota.

4. That there are separately owned leasehold interests in and under each of the spacing units described above.

5. That there is an absence of voluntary pooling of the leasehold interests in and under each of the spacing units described above.

6. That Applicant is ready, willing and able to operate the pooled spacing units for the benefit of all owners of interests therein pursuant to appropriate Commission Order, and statute.

7. That the magnitude of leasehold interests not voluntarily pooled is so great that the mere recoup of proportionate costs allocated to those interests, without consideration of risk to the parties advancing costs for those interests, would not be just and reasonable and would fail to protect the correlative rights of the drilling and operating parties and their lessors.

8. That the owners of leasehold interests not voluntarily pooled in the above spacing units have participated, in some wells in the near vicinity, in Operating Agreements which provide for a penalty recoup by Operator for non-consent operations of 300%, which is typical of arm's length negotiated risk compensation currently recognized within the industry.

9. That where consideration by the Commission of the risk of drilling and operating and paying the expense of drilling and operating for the benefit of others who chose not to join or to voluntarily pool their leasehold rights results in the imposition of a risk recoup factor in the nature of a penalty, such multiple of advanced costs as the Commission finds to be just and reasonable should be part of the reasonable actual costs to be recovered by the parties advancing those costs under § 38-08-08 and 38-08-10 N.D.C.C.

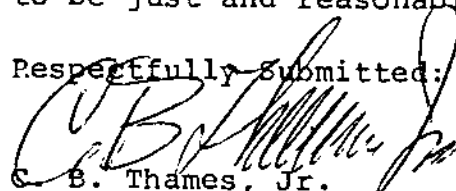
WHEREFORE APPLICANT PRAYS:

1. That this matter be set for hearing before the full Commission on Wednesday, 27 June 1984 in Williston, North Dakota.
2. That the Commission issue its order pooling all interests in spacing units in the Ambrose Field, Duperow Pool, Divide County, North Dakota, to-wit:

Township 163 North, Range 99 West
Section 14: NW¼
Section 13: NW¼
Section 11: SE¼

3. That the Commission Order designate applicant: The Louisiana Land and Exploration Company as Operator of said spacing units, so pooled.
4. That the Commission recognize that the protection of correlative rights requires that an enhancement of recoup of costs and expenses advanced by one party to pay for the drilling and operating expenses of another lessee is part of the "just and reasonable terms" requirement of § 38-08-08 N.D.C.C. and that such enhanced recoup thus becomes an item of reasonable, actual costs of the well on each pooled spacing unit.
5. That the Commission set the recoup enhancement for the above spacing units at 300% of allocated outlay for the carried leasehold interests in favor of the party or parties actually paying such costs.
6. That the Commission grant such other and further relief as the protection of correlative rights and the prevention of waste shall indicate to be just and reasonable.

Respectfully Submitted:


C. B. Thames, Jr.

Attorney for The Louisiana Land
and Exploration Company

T. 163 N.
R. 99 W.

Divide County, N.D.

Temporary Spaced Area
Case 2292
Order 2582

AMBROSE

LLAE
1-20-12
O

-6184'

TEXAS INT
1-20-12

LLAE
1-20-12
O

LLAE
1-20-12
O

LLAE
11-24-20
O

-6200'

23 TEXAS INT
1-23-20

-6227'

TIGER
1-23-20

-6217'

CHAMP, N.
Windsor
NDE

EXHIBIT 3223 "A"

**Notice of Publication
North Dakota
Industrial Commission**

BISMARCK, NORTH DAKOTA

The State of North Dakota by its Industrial Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder of the following public hearing to be held at 9:00 a.m. on June 27, 1984, El Rancho Motel, Williston, North Dakota. For the purpose of this hearing, the Commission, any member thereof acting as Examiner, or an Examiner appointed by the Commission will receive testimony and exhibits.

STATE OF NORTH DAKOTA TO:

All named parties and persons having any right, title, interest, or claim in the following cases and notices to the public. CASE NO. 3223: ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF THE LOUISIANA LAND AND EXPLORATION COMPANY FOR AN ORDER POOLING ALL INTERESTS IN SPACING UNITS FOR THE AMROSE-DUPEROW POOL, DESCRIBED AS THE NW/4 OF SECTION 14, THE NW/4 OF SECTION 13, AND THE SE/4 OF SECTION 11, ALL IN T.163N., R.99W., DIVIDE COUNTY, NORTH DAKOTA, AND FURTHER TO PROVIDE FOR A 300% RECOUP OF COSTS ADVANCED IN BEHALF OF NON-JOINING LESSEES.

Signed by,
Allen I. Olson, Governor
Chairman,
ND Industrial Commission
(June 13, 1984)

Affidavit of Publication

State of North Dakota, County of Divide, SS.

JOHN M. ANDRIST, of said County and State, being first duly sworn, on his oath says: That The Divide County Journal, a continuation of the Crosby Eagle, is a weekly newspaper of general circulation, printed and published in the city of Crosby, in said county and state, by John M. Andrist, Editor, and has been such newspaper during the times hereinafter mentioned; and that I, JOHN M. ANDRIST, the editor, during all such times have been the editor of said newspaper, and have personal knowledge of all the facts stated in this affidavit; and that the advertisement headed ~~---Notice of Publication---~~

~~North Dakota Industrial Commission~~

a printed copy of which is hereunto attached, was printed and published in said newspaper for a period of 1 consecutive weeks, to-wit:

June 13

PAID



John M. Andrist

Subscribed and sworn to before me

Myron Wallin
Notary Public, Divide County, N. D.

My Commission Expires

