

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 14027
ORDER NO. 16302

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO
CONSIDER THE IN THE MATTER OF THE
PETITION FOR A RISK PENALTY OF BAYTEX
ENERGY USA LTD. REQUESTING AN ORDER
AUTHORIZING THE RECOVERY OF A RISK
PENALTY FROM CERTAIN NON-
PARTICIPATING OWNERS, AS PROVIDED BY
NDCC § 38-08-08 IN THE DRILLING AND
COMPLETING OF THE LARSEN #8-162-99H
WELL LOCATED IN A SPACING UNIT
DESCRIBED AS SECTION 8, T.162N., R.99W.,
AMBROSE-BAKKEN POOL, DIVIDE COUNTY,
ND, PURSUANT TO NDAC § 43-02-03-88.1, 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 13th day of January, 2011.
- (2) Baytex Energy USA LTD. (Baytex) has filed a petition for a risk penalty before the North Dakota Industrial Commission (Commission) requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by North Dakota Century Code (NDCC) Section 38-08-08 in the drilling and completing of the Larsen #8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Divide County, North Dakota (Section 8), Ambrose-Bakken Pool, pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.1, and such other relief as is appropriate.
- (3) Baytex is the owner of an interest in an oil and gas leasehold estate in a spacing unit for the Ambrose-Bakken Pool described as all of Section 8.
- (4) The Commission makes no findings with regard to the specific acreage or percentage attributed to separately owned tracts or interests.
- (5) NDCC Section 38-08-08 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.

(6) Baytex requests an order of the Commission allowing the recovery of a risk penalty from David Goldal's interests.

(7) David Goldal, a mineral interest owner within the spacing unit, did not appear in this matter or object to the risk penalty being assessed against his mineral interest.

(8) Pursuant to NDAC Section 43-02-03-16.3, Baytex sent an invitation to participate in the drilling and completion of the Larsen #8-162-99H well. Baytex provided evidence that the invitation to participate was complete and properly served on David Goldal.

(9) Pursuant to NDAC Section 43-02-03-16.3, David Goldal had 30 days from the date of receiving the invitation to elect to participate in the Larsen #8-162-99H well. Baytex provided evidence that David Goldal responded to Baytex's invitation indicating he elected not to participate.

(10) The Commission concludes Baytex has complied with NDAC Section 43-02-03-16.3 and the risk penalty may be imposed against David Goldal's mineral interest.

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

IT IS THEREFORE ORDERED:

(1) A risk penalty may be imposed on David Goldal's mineral interests for the drilling and completion of the Larsen #8-162-99H well on a spacing unit described as Section 8, Township 162 North, Range 99 West, Divide County, North Dakota, Ambrose-Bakken Pool, pursuant to NDCC Section 38-08-08 and NDAC Section 43-02-03-16.3.

(2) This order shall not determine or establish the specific acreage to be attributed to separately owned tracts, or specific interests attributed to separately owned interests.

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

Dated this 26th day of August, 2011.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director

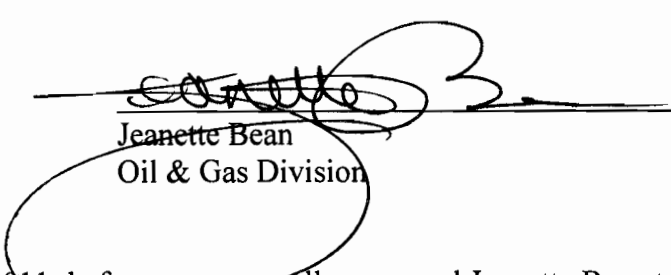
STATE OF NORTH DAKOTA

AFFIDAVIT OF MAILING

COUNTY OF BURLEIGH

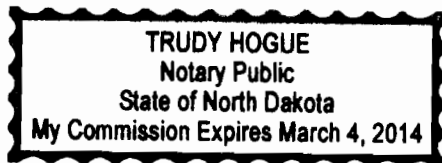
I, Jeanette Bean, being duly sworn upon oath, depose and say: That on the 7th day of September, 2011 enclosed in separate envelopes true and correct copies of the attached Order No. 16302 of the North Dakota Industrial Commission, and deposited the same with the United States Postal Service in Bismarck, North Dakota, with postage thereon fully paid, directed to the following persons by the Industrial Commission in Case No. 14027:

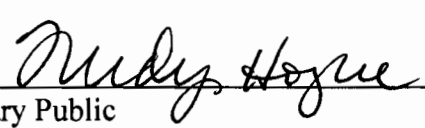
LAWRENCE BENDER
FREDRICKSON & BYRON
PO BOX 1855
BISMARCK ND 58502-1855



Jeanette Bean
Oil & Gas Division

On this 7th of September, 2011 before me personally appeared Jeanette Bean to me known as the person described in and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.





Notary Public
State of North Dakota, County of Burleigh

August 12, 2011



Mr. Bruce Hicks
Assistant Director
North Dakota Industrial Commission
Oil and Gas Division
600 East Boulevard
Bismarck, North Dakota 58505-0310

RE: BAYTEX ENERGY USA LTD.
CASE NO. 14027

Dear Mr. Hicks:

Please find enclosed herewith for filing a copy of the certified mail return receipt in the above matter.

Should you have any questions, please advise.

Sincerely,


LAWRENCE BENDER

LB/mpg

Enclosure

cc: Dave McCusker

4974147_1.DOC

Attorneys & Advisors
main 701.221.4020
fax 701.221.4040
www.fredlaw.com

Fredrikson & Byron, P.A.
200 North Third Street, Suite 150
Bismarck, North Dakota
58501-3879

Front

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David Goldal
909 Crest Drive
PB Box 265
Crosby, ND 58730

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7010 0780 0001 9887 9841

SEND TO COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <i>x David Goldal</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>David Goldal</i></p> <p>C. Date of Delivery <i>12-15-10</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <p>David Goldal 909 Crest Drive PB Box 265 Crosby, ND 58730</p>	<p>3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (From service label)</p> <p><i>14027 Baytex Jan 2011</i></p>	<p>7010 0780 0001 9887 9841</p>

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

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Fredrikson & Byron, P.A.
200 North Third Street, Suite 150
Bismarck, ND 58501



December 13, 2010

Mr. Bruce Hicks
Assistant Director
North Dakota Industrial Commission
Oil and Gas Division
600 East Boulevard
Bismarck, North Dakota 58505-0310



**RE: APPLICATION OF BAYTEX
ENERGY USA LTD. FOR
JANUARY 2011 HEARINGS**

Dear Mr. Hicks:

Please find enclosed herewith for filing the following:

1. Petition of Baytex Energy USA Ltd.;
2. Notice of Hearing;
3. Affidavit of Lee Zink; and
4. Certificate of Service

As you will note, pursuant to N.D. Admin. Code § 43-02-03-88.2, Baytex requests that its witnesses be allowed to participate at the hearing by telephonic means.

Should you have any questions, please advise.

Sincerely,


LAWRENCE BENDER

LB/leo
Enclosure

cc: Ms. Karlene Fine - (w/enc.)
Mr. Lynn Helms - (w/enc.)
Mr. Todd Sattler - (w/enc.)
Mr. Lee Zink - (w/enc.)

Attorneys & Advisors
main 701.221.4020
fax 701.221.4040
www.fredlaw.com

Fredrikson & Byron, P.A.
200 North Third Street, Suite 150
Bismarck, North Dakota
58501-3879

**BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA**

CASE NO. 14027

In the matter of the petition for a risk penalty of Baytex Energy USA Ltd. requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by N.D.C.C. § 38-08-08 in the drilling and completing of the Larsen 8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, pursuant to N.D.A.C. § 43-02-03-88.1, and such other and further relief as is appropriate.



PETITION OF BAYTEX ENERGY USA LTD.

Baytex Energy USA Ltd. ("Baytex"), respectfully shows the North Dakota Industrial Commission ("Commission") as follows:

1.

That Baytex is an owner of an interest in the oil and gas leasehold estate in Section 8, Township 162 North, Range 99 West, Divide County, North Dakota ("Section 8").

2.

That Baytex is the operator of the Larsen 8-162-99H well, drilled in the Northwest Quarter of the Northwest Quarter (NW/4NW/4) of Section 8.

3.

That Section 8 constitutes the spacing unit for the Larsen 8-162-99H well in the Ambrose-Bakken Pool.

4.

That by application submitted to the Commission and to be heard on January 13, 2011, Baytex has made application for an order pooling all interests in a spacing unit for the Ambrose-Bakken Pool described as all of Section 8.

5.

That Section 38-08-08(3) of the North Dakota Century Code provides that if an owner of an interest in a spacing unit elects not to participate in the risk and cost of drilling a well, the owner paying for the nonparticipating owner's share of the drilling and operation of a well may recover from the nonparticipating owner a risk penalty involved in drilling the well.

6.

That the following owner has elected not to participate in the drilling and completion operations of the Larsen 8-162-99H well:

(a) David Goldal

7.

That the interest of the foregoing is unleased.

8.

That as to the foregoing unleased mineral owner, Baytex has made a good faith attempt to lease the same but was unsuccessful.

9.

That a well proposal was forwarded to the above-referenced unleased mineral owner and said owner failed or refused to respond to the same, or elected not to participate.

10.

That the Larsen 8-162-99H well was spud on November 8, 2010.

11.

That Baytex therefore requests that the Commission enter its order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by N.D.C.C. § 38-08-08 in the drilling and completing of the Larsen 8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, pursuant to N.D.A.C. § 43-02-03-88.1 and such other and further relief as is appropriate.

WHEREFORE, Baytex requests the following:

- (a) That this matter be set for the regularly scheduled January 2011 hearings of the Commission;
- (b) That pursuant to Section 43-02-03-88.2 of the North Dakota Administrative Code, Baytex's witnesses in this matter be allowed to participate by telephonic means; and
- (c) That thereafter the Commission issue an order granting the relief requested and such other and further relief as the Commission may deem appropriate.

DATED this 13th day of December, 2010.

FREDERICKSON & BYRON, P.A.

By 

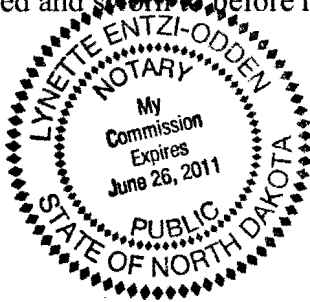
LAWRENCE BENDER, ND Bar #03908
Attorneys for Applicant
Baytex Energy USA Ltd.
200 North 3rd Street, Suite 150
Post Office Box 1855
Bismarck, North Dakota 58502-1855
701-221-4020

STATE OF NORTH DAKOTA)
) ss.
COUNTY OF BURLEIGH)

LAWRENCE BENDER, being first duly sworn on oath, deposes and says that he is the attorney for the applicant named herein, that he has read the foregoing application, knows the contents thereof, and that the same is true to the best of this affiant's knowledge and belief.

LAWRENCE BENDER

Subscribed and sworn to before me this 13th day of December, 2010.



Notary Public
My Commission Expires:

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**BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA**

CASE NO. _____

In the matter of the petition for a risk penalty of Baytex Energy USA Ltd. requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by N.D.C.C. § 38-08-08 in the drilling and completing of the Larsen 8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, pursuant to N.D.A.C. § 43-02-03-88.1, and such other and further relief as is appropriate.



AFFIDAVIT OF LEE ZINK

STATE OF COLORADO)
) ss
COUNTY OF DENVER)

Lee Zink, being first duly sworn, deposes and states as follows:

1.

That I am a Landman for Baytex Energy USA Ltd., 600 17th Street, Suite 1600 South, Denver, Colorado 80202, the applicant in the above-entitled matter.

2.

That in the course of my work as a Landman for Baytex Energy USA Ltd., I have become familiar with the mineral ownership and leasehold ownership in and under all of Section 8, Township 162 North, Range 99 West, Divide County, North Dakota ("Section 8"). I am also familiar with all the oil and gas operations which have been conducted by Baytex on the above-described lands.

3.

That Baytex is an owner of an interest in the oil and gas leasehold estate in Section 8.

4.

That there are separately owned tracts or interests in mineral estate and/or leasehold estate in Section 8.

5.

That by application submitted to the Commission and to be heard on January 13, 2011, Baytex has made application for an order pooling all interests in a spacing unit for the Ambrose-Bakken Pool described as all of Section 8.

6.

That all of Section 8 has been designated as the spacing unit for the Larsen 8-162-99H well in the Ambrose-Bakken Pool.

7.

That the following owner has elected not to participate in the drilling and completion operations of the Larsen 8-162-99H well:

(a) David Goldal

8.

That the foregoing owns unleased mineral interests in and under the spacing unit for the Larsen 8-162-99H well.

9.

That Baytex made a good faith attempt to have David Goldal execute an oil and gas lease on May 3, 2010 by forwarding a lease package via UPS attached herewith as Exhibit A.

10.

That the above-referenced unleased mineral owner failed or refused to execute and return the lease Baytex offered him.

11.

That Baytex mailed a well proposal for the Larsen 8-162-99H well to David Goldal on August 18, 2010 via UPS. That attached hereto as **Exhibit B** is a true and correct copy of the well proposal that Baytex sent to David Goldal.

12.

That the well proposal stated that David Goldal had thirty (30) days from the receipt of the well proposal to accept or reject the well proposal. **See Exhibit B.** The well proposal provided that Baytex would be seeking recovery of a risk penalty from all nonparticipating owners as provided by North Dakota law. **See Exhibit B.** The well proposal further stated that any nonparticipating owner may object to the risk penalty by either responding in opposition to the petition, or if no such petition has been filed, by filing a request for hearing with the Commission. **See Exhibit B.**

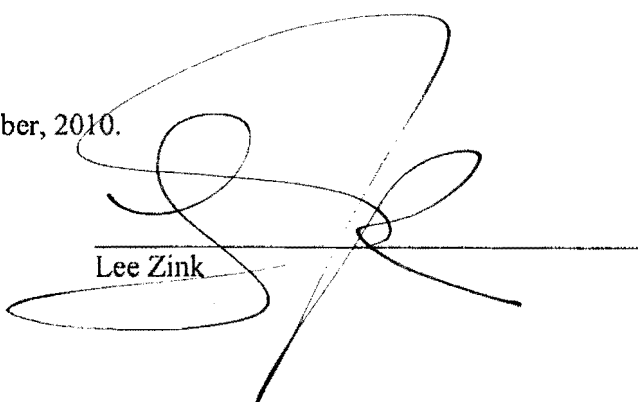
13.

That David Goldal elected not to participate by executing the Larsen 8-162-99H Well Election on September 15, 2010, attached herewith as **Exhibit C.** Because David Goldal elected not to participate, Baytex is seeking and is entitled to a risk penalty against the interests of David Goldal.

14.

The Larsen 8-162-99H well was spud on November 18, 2010.

DATED this 13 day of December, 2010.



Lee Zink

STATE OF COLORADO)
)ss
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 13th day of December, 2010 by Lee Zink, Landman, of Baytex Energy USA Ltd.

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Kimberly Bruce Greene
Notary Public
My Commission Expires: 12-19-2014

BAYTEX

ENERGY USA LTD

May 3, 2010

Mr. David Goldal
909 Crest Drive
Crosby, North Dakota

Re: Oil and Gas Lease(s)
T161N-R98W
Sec. 22: E2
T162N-R99W
Sec. 3: Lots 3, 4, S2NW
Sec. 8: SWNE, NWSE, S2SE
Sec. 10: NW
Sec. 16: SENW, N2NW, NESW
Sec. 17: NW
T163N-R99W
Sec. 33: All
Sec. 34: SW
1760.4 gross, 674.8 net acres
Divide County, ND

Via UPS

No. 1Z E19 1W1 02 9187 3381

Dear Mr. Goldal,

Enclosed please find our oil and gas leases covering your 671.80 net mineral acres interest under the captioned lands located in Divide County, North Dakota.

The terms of these leases are as follows: \$400.00 per net mineral acre (~~\$269,920.00~~) for execution of a three year term, paid-up oil and gas lease, providing for a three-sixteenths (3/16th) landowners' royalty in the event of production.

Please sign the original leases in duplicate *in the presence of a notary*, sign the Letter Agreement in Lieu of Draft for Oil and Gas Lease Bonus Consideration, fill in your Tax I.D. number on the enclosed taxpayer I.D. form and return said documents to us in the enclosed envelope. The documents marked "COPY" are for your records.

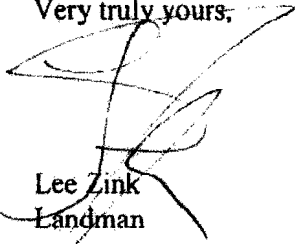
Once received the executed copy of the Oil and Gas leases, we will remit a check in the amount stated above.

Exhibit A

600 Seventeenth Street	Telephone 303.825.2777
Suite 1600S	Facsimile 303.825.2790
Denver, CO 80202	www.baytex.ab.ca

Please feel free to contact me at (303) 517-1627 with any questions or concerns that you may have.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Lee Zink Landman', written over the printed name. The signature is stylized with a large, sweeping 'L' and 'Z'.

Lee Zink
Landman

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OIL AND GAS LEASE

AGREEMENT, Made and entered into the 14th day of June, 2010, by and between David Goidal, a single man whose address is 909 Crest Drive, PB Box 265, Crosby, ND 58730, hereinafter called Lessor (whether one or more) and Baytex Energy USA Ltd. whose address is 600 17th Street, Suite 1900 S., Denver, CO 80202, hereinafter called Lessee:

WITNESSETH, That Lessor, in consideration of TEN DOLLARS plus (\$10.00+) cash in hand paid, the receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of Lessee herein contained, hereby GRANTS, LEASES AND LETS exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, conducting geophysical operations, mining and operating for and producing oil, liquid hydrocarbons, all gases (including gas producible from coal-bearing formations), and their respective constituent products, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid, hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, the following described land, together with any reversionary rights and after-acquired interest (hereinafter called the "Land"), therein situated in the County of Divide, State of North Dakota, described as follows, to-wit:

Township 162 North, Range 99 West, 5th P.M.

Section 08: SENE, NWSE, S/2SE

Section 10: NW

Section 16: N/2NW, SENW, NESW

Section 17: NW

* Any reference to a Lessor's royalty of "one-eighth (1/8th)" is hereby changed to a Lessor's royalty of "one-fifth (3/16th)"

SUBJECT TO EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF

In addition to the lands described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are owned or claimed by Lessor by one of the following reasons: (1) all lands and rights acquired or retained by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of Lessor's ownership of the lands described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the lands are located.

For purposes of payment of rentals and royalties, Lessor and Lessee agree that the lease shall be treated as covering 640.00 acres, whatever more or less.

1. It is agreed that this lease shall remain in force for a term of Three years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. The Lessee shall pay Lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold the royalty shall be one-eighth of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by Lessee and a gas purchaser for such term and under such conditions as are customary in the industry at the location where the well is located. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. Lessor and Lessee agree that costs that are customary in the area which are incurred by Lessee include the cost of gathering, compressing, dehydrating, and transporting gas to a pipeline or processing plant and may be deducted from the royalty paid to Lessor.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. If, at the expiration of the primary term or at any time or times thereafter there is any well on the leased premises either capable of producing oil or gas, then this lease shall not terminate so long as such well is shut in. For each such well, Lessee shall pay or tender to Lessor or Lessor's successor or assigns One Dollar per year per net mineral acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. Lessee's failure to pay or tender, or properly pay or tender, any such sum shall render Lessee liable for the amount due but it shall not operate to terminate the lease.

5. If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part. No change of ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a

declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental agency and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalty payments to be made hereunder to Lessor, be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. When drilling, production or other operations are delayed, interrupted or stopped by lack of water, labor, material, inability to obtain access to leased premises, fire, flood, war, rebellion, insurrection, riot, strike, differences with workmen, failure of carriers to transport or furnish facilities for transportation of any product produced hereunder, lack of available or satisfactory market, in Lessee's opinion, for the oil or gas produced, or as a result of an order of any governmental agency, (including but not limited to orders restricting production) or as a result of any cause beyond the control of Lessee, the time of such delay, interruption or stoppage shall not be counted against the Lessee under any provision of this lease, and this lease shall not terminate by reason of any such delay, interruption or stoppage, and period of such delay, interruption or stoppage shall be added to the term of this lease.

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

17. In the event Lessor considers that Lessee has not complied with all of its obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee and Lessee has not taken the appropriate action to remedy the alleged breach. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. This lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and Lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

18. For the same consideration recited in the first paragraph above, the Lessor hereby grants unto the Lessee, its successors and assigns, rights-of-way over, across and through the land hereinabove described for the purpose of installation, operation, maintenance, repair and replacement of one or more electric lines, and as well as one or more pipelines for the collection, gathering, and/or transmission of oil, gas, brines and other substances, together with rights-of-way for ingress, egress and passage over and across said lands for the purpose of conducting oil and gas exploration, production, operation, and product transmission activities upon said lands, or upon lands adjacent thereto or in the vicinity thereof. The rights-of-way hereby granted are severable from, and independent of, the oil and gas lease rights herein granted and such rights-of-way shall continue in existence so long as the same are utilized by the Lessee, its successors or assigns, even though the oil and gas lease rights may sooner terminate. The Lessee (or the then holder of the rights-of-way) shall pay for any damages to growing crops or to said lands caused by its utilization of the rights-of-way hereby granted.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

David Goldal

ACKNOWLEDGMENT-INDIVIDUAL

STATE OF _____ }
COUNTY OF _____ } SS

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2010, personally appeared _____

David Goldal, a single man, to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires: _____

Notary Public
Address _____

August 18, 2010

Mr. David Goldal
P.O. Box 265
909 Crest Drive
Crosby, ND 58730

Re: Well Proposal
Larsen 8-162-99H
T162N-R99W
Sec. 8: SWNE, NWSE, S2SE
160.00 gross, 160.00 net acres
Divide County, ND

Via UPS

No. 1Z E19 1W1 01 9166 2646

Dear Mr. Goldal,

This letter will serve as notice, pursuant to the provisions of Section 38-08-08 of the North Dakota Century Code and Section 43-02-03-16.3 of the North Dakota Administrative Code, of the plans of Baytex Energy USA Ltd. ("Baytex") to drill the above-referenced well. As the owner of an unleased mineral interest in and under the above-described lands, Baytex, through its representatives, has, in good faith, made numerous attempts to lease your interests without success. Baytex's plans are as follows:

1. Baytex plans to drill the Larsen 8-162-99H well located in the NW/4 of Section 8, Township 162 North, Range 99 West, Divide County, North Dakota. Baytex proposes to drill a single horizontal lateral well to test the Three Forks formation within the Ambrose-Bakken Pool as defined by the North Dakota Industrial Commission at an approximate true vertical depth of approximately 8,570 feet. The lateral will have a bottom hole location approximately 550 feet from the south line and 550 feet from the east line of Section 8 T162N, R99W.

2. As set forth in the enclosed AFE for the Larsen 8-162-99H well, the estimated drilling and casing costs for this operation are \$2,218,000 and the estimated completed and equipped well costs are \$4,542,550.

3. Baytex has secured a rig and has plans to spud the Larsen 8-162-99H well on or about November 1, 2010.

4. Each working interest owner has thirty (30) days from receipt of this letter to accept or reject this well proposal. Baytex's records indicate that you own 160.00 net mineral acres or a 25.00% working interest in the proposed well. If you accept this well

Exhibit B

proposal and elect to participate in the drilling of the Larsen 8-162-99H well, please so indicate by executing the enclosed AFE and returning a copy of the AFE to the undersigned on or before thirty (30) days from the receipt of this letter.

5. If you elect not to participate in the proposed operation as outlined herein, please so indicate by marking the appropriate space provided below, executing this letter and returning it to Baytex on or before thirty (30) days from the receipt of this letter. Please take notice that in the event any owner offered an opportunity to participate hereby elects not to participate in the operations of the Larson 8-162-99H well, the participating owners plan to impose a risk penalty as provided by North Dakota law. Any nonparticipating owner may object to the risk penalty by either responding in opposition to the petition for a risk penalty, or if no such petition has been filed, by filing an application or request for hearing with the North Dakota Industrial Commission.

6. If you elect not to participate in the proposed operation as outline herein, and would rather execute a lease with Baytex being the Lessee, Baytex provides the following option for a six month lease using Baytex's lease form:

A lease covering your unleased mineral interest in Section 8, T162N-R99W, with a six month primary term, cash consideration of \$200.00 per net mineral acre, and a 20% royalty; plus a 6 month option to extend at \$200.00 per net acre.

If you have any questions, please do not hesitate to contact the undersigned at (303) 551-6452.

Very truly yours,


Lee Zink
Landman

Larsen 8-162-99H Well Election

- ☐ I/We elect to participate in Baytex's Well Proposal of the Larsen 8-162-99H.
☐ I/We elect NOT to participate in Baytex's Well Proposal of the Larsen 8-162-99H.
☐ Lease my interest in Section 8 to Baytex as per the leasing option above.

DAVID GOLDAL

By: _____
Title: _____
Date: _____



Onshore Operations
Authority For Expenditure

Original _____ Supplemental No. _____

Category _____

☒ Drilling
☐ Workover/Recompletion
☐ Production Facility (Tangible Expenses Only)
☐ Repairs

AFE NO. U10030814	
Working Interest	
AFE WL Amt	25.0%
Total WL AFE Amt	\$ 1,135,838
AFE Date _____	
Working Interest Partners	
Working Interests	Estimated Costs

Project Name LARSEN 8-162-99H		Depth MD -14800R	Depth TVD -13800R	Elevation GL 2095.3 ft.
Location NW 1/4 bottom hole coordinates located in the SE		County Divide		
Operator BAYTEX ENERGY USA LTD				

Description Of Work: This AFE is related to drill, complete and equip (DCE) a horizontal well targeting the Throckmors Formation from surface coordinates located. This well to be drilled to an estimated -8800' TVD / -14,800 MD. Completed with hydraulic stage fracture and tied into a single well battery.

Estimate 30 days paid - rig release

NET		GROSS		INTANGIBLE DRILLING		Drill	Completion & Equip	Total
Major Account	Minor Account	Major Account	Minor Account	Major Account	Minor Account			
3200	1030	9200	1030	ENTRY FEE & INITIAL CONSIDERATION		\$ 8,000		\$ 8,000
3200	1032	9200	1032	LICENSE & SURVEY		\$ 3,000		\$ 3,000
3200	1034	9200	1034	LEASE PREPARATION		\$ -		\$ -
3200	2505	9200	2505	BAKE RESTORATION		\$ -	\$ 30,000	\$ 30,000
3200	1038	9200	1038	ROAD USE FEES		\$ -		\$ -
3200	1100	9200	1100	EQUIPMENT RENTALS		\$ 140,000		\$ 140,000
3200	1102	9200	1102	POWER, FUEL & WATER HAULING		\$ 150,000		\$ 150,000
3200	1104	9200	1104	TRUCKING & HAULING		\$ 25,000		\$ 25,000
3200	2000	9200	2000	SUPERVISION		\$ 55,000		\$ 55,000
3200	2225	9200	2225	LEGAL/TITLE		\$ 18,000		\$ 18,000
3200	2025	9200	2025	COMMUNICATION		\$ 13,000		\$ 13,000
3200	2510	9200	2510	SAFETY SERVICES		\$ -		\$ -
3200	2010	9200	2010	CONTRACT SERVICES		\$ 50,000		\$ 50,000
3200	2500	9200	2500	ENVIRONMENTAL SERVICES		\$ -		\$ -
3200	2005	9200	2005	COMPANY LABOUR		\$ -		\$ -
3200	2015	9200	2015	ENGINEERING		\$ -		\$ -
3200	2020	9200	2020	CONSTRUCTION/LOCATION & ROAD		\$ 100,000		\$ 100,000
3200	3130	9200	3130	RAT HOLE & CONDUCTOR PIPE		\$ 12,000		\$ 12,000
3200	3125	9200	3125	CASING BOWL		\$ 23,000		\$ 23,000
3200	3100	9200	3100	SURFACE CASING & ATTACHMENTS		\$ -		\$ -
3200	3105	9200	3105	CEMENTING SURFACE CASING		\$ 17,000		\$ 17,000
3200	3120	9200	3120	PLUGS		\$ -		\$ -
3200	3115	9200	3115	INTERMEDIATE CASING & ATTACHMENTS		\$ -		\$ -
3200	3110	9200	3110	CEMENTING INTERMEDIATE CASING		\$ 33,000		\$ 33,000
3200	3135	9200	3135	POWER TONGS		\$ 31,000		\$ 31,000
3200	3282	9200	3282	RIG MOVE & RACKING COST		\$ 85,000		\$ 85,000
3200	3210	9200	3210	DECKLAMP - METERAGE		\$ 58,000		\$ 58,000
3200	3205	9200	3205	DRILLING - DAYWORK		\$ 518,000		\$ 518,000
3200	3215	9200	3215	DRILLING - DIRECTIONAL		\$ 245,000		\$ 245,000
3200	3220	9200	3220	CAMP & SUBSISTENCE		\$ -		\$ -
3200	3294	9200	3294	RIG UP, TEAR OUT & STANDBY		\$ -		\$ -
3200	3230	9200	3230	DRILLING BITS		\$ 50,000		\$ 50,000
3200	3254	9200	3254	MATERIAL & CHEMICALS		\$ 130,000		\$ 130,000
3200	3252	9200	3252	FISHING TOOL COSTS		\$ -		\$ -
3200	3235	9200	3235	CORING & ANALYSIS		\$ -		\$ -
3200	3240	9200	3240	OPEN HOLE LOGGING		\$ 15,000		\$ 15,000
3200	3230	9200	3230	DRILL STEM TEST		\$ -		\$ -
3200	3231	9200	3231	SUPERVISION - GEOLOGICAL		\$ 32,000		\$ 32,000
3200	3280	9200	3280	AIR TRANSPORTATION		\$ -		\$ -
3200	3285	9200	3285	GOVERNMENT INCENTIVES		\$ -		\$ -
3200	3280	9200	3280	PRODUCTION CASING & ATTACHMENTS		\$ -		\$ -
3200	3281	9200	3281	CEMENTING PRODUCTION CASING		\$ -		\$ -
3200	3135	9200	3135	POWER TONGS		\$ -		\$ -
3200	8098	9200	8098	ENGINEERING & DESIGN - 2%		\$ -		\$ -
3200	8000	9200	8000	MISCELLANEOUS		\$ 50,000		\$ 50,000
3200	5000	9200	5000	INSURANCE		\$ -		\$ -
3200	8088	9200	8088	OVERHEAD		\$ 19,000		\$ 19,000
NET		GROSS		INTANGIBLE COMPLETION				
3250	2505	9250	2505	BITS RESTORATION		\$ 33,000		\$ 33,000
3250	1100	9250	1100	EQUIPMENT RENTALS		\$ 80,000		\$ 80,000
3250	1102	9250	1102	POWER, FUEL & WATER HAULING		\$ 75,000		\$ 75,000
3250	1104	9250	1104	TRUCKING & HAULING		\$ -		\$ -
3250	2000	9250	2000	SUPERVISION		\$ 45,600		\$ 45,600
3250	2025	9250	2025	COMMUNICATIONS		\$ 3,000		\$ 3,000
3250	2510	9250	2510	SAFETY SERVICES		\$ 2,500		\$ 2,500
3250	2010	9250	2010	CONTRACT SERVICES		\$ 54,000		\$ 54,000
3250	2005	9250	2005	COMPANY LABOUR		\$ -		\$ -
3250	2015	9250	2015	ENGINEERING		\$ -		\$ -
3250	1038	9250	1038	LEASE & ROAD UPGRADE		\$ 8,000		\$ 8,000
3250	3205	9250	3205	REVERSE RIG		\$ 30,000		\$ 30,000
3250	3242	9250	3242	CASED HOLE LOGGING		\$ -		\$ -
3250	3244	9250	3244	SUCK LINE		\$ -		\$ -
3250	3250	9250	3250	FRACTURING		\$ 725,000		\$ 725,000
3250	3256	9250	3256	COMPLETION FLUIDS		\$ 66,000		\$ 66,000
3250	3282	9250	3282	PRODUCTION TESTS		\$ 40,000		\$ 40,000
3250	3284	9250	3284	CIRCULATING		\$ -		\$ -
3250	3286	9250	3286	DISPOSAL COSTS		\$ 67,500		\$ 67,500
3250	3288	9250	3288	SHAUBING AND FISHING		\$ 75,000		\$ 75,000
3250	8098	9250	8098	ENGINEERING & DESIGN - 2%		\$ -		\$ -
3250	8000	9250	8000	MISCELLANEOUS		\$ 25,000		\$ 25,000
3250	5000	9250	5000	INSURANCE		\$ -		\$ -
3250	8098	9250	8098	OVERHEAD		\$ 19,000		\$ 19,000
NET		GROSS		TANGIBLE DRILLING				
3230	3130	9230	3130	CONDUCTOR CASING		\$ -		\$ -
3230	3100	9230	3100	SURFACE CASING & ATTACHMENTS		\$ 42,000		\$ 42,000
3230	3115	9230	3115	INTERMEDIATE CASING & ATTACHMENTS		\$ 300,000		\$ 300,000
3230	3112	9230	3112	LINERS & LINER EQUIPMENT		\$ -		\$ -
NET		GROSS		TANGIBLE COMPLETION				
3300	1038	9300	1038	LEASE & ROAD UPGRADE		\$ 14,000		\$ 14,000
3300	3260	9300	3260	PRODUCTION CASING & ATTACHMENTS		\$ 430,000		\$ 430,000
3300	3212	9300	3212	LINERS & LINER EQUIPMENT		\$ -		\$ -
3300	3500	9300	3500	WELLHEAD & EQUIPMENT		\$ 22,000		\$ 22,000
3300	3302	9300	3302	TUBING		\$ 42,000		\$ 42,000
3300	3304	9300	3304	ANCHOR ROPS		\$ 38,000		\$ 38,000
3300	3310	9300	3310	BOTTOM HOLE PUMPS		\$ 12,800		\$ 12,800
3300	3308	9300	3308	RETRIEVABLE DOWNHOLE EQUIP		\$ 9,250		\$ 9,250
3300	8000	9300	8000	MISCELLANEOUS		\$ 4,000		\$ 4,000
3300	5000	9300	5000	INSURANCE		\$ -		\$ -
3300	8098	9300	8098	OVERHEAD		\$ -		\$ -
NET		GROSS		WELL EQUIPPING COSTS				
3340	1040	9340	1040	SITE FENCING		\$ -		\$ -
3340	3422	9340	3422	PUMP/JACK AND BASE		\$ 170,000		\$ 170,000
3340	3442	9340	3442	TREATERS		\$ 44,100		\$ 44,100
3340	3450	9340	3450	TANKS		\$ 84,000		\$ 84,000
3340	3448	9340	3448	HEATERS		\$ -		\$ -
3340	3312	9340	3312	LINE PIPE & COATING		\$ 12,800		\$ 12,800
3340	3432	9340	3432	METERS & INSTRUMENTS		\$ 3,900		\$ 3,900
3340	3308	9340	3308	VALVES & FITTINGS		\$ 42,000		\$ 42,000
3340	3440	9340	3440	COMPRESSORS		\$ -		\$ -
3340	3448	9340	3448	DEHYDRATORS		\$ -		\$ -
3340	3444	9340	3444	SEPARATORS		\$ -		\$ -
3340	3720	9340	3720	PERMANENT ROADS		\$ -		\$ -
3340	3710	9340	3710	BUILDINGS & FOUNDATIONS		\$ 11,000		\$ 11,000
3340	3438	9340	3438	ELECTRICAL EQUIPMENT		\$ -		\$ -
3340	3434	9340	3434	INSTRUMENTATION		\$ -		\$ -
3340	8000	9340	8000	MISCELLANEOUS		\$ 32,500		\$ 32,500
3340	5000	9340	5000	INSURANCE		\$ -		\$ -
3340	8098	9340	8098	OVERHEAD		\$ -		\$ -
NET		GROSS		TOTAL COST				
NET		GROSS		INTANGIBLES				
NET		GROSS		TANGIBLES				
NET		GROSS		WELL EQUIPPING COSTS				
NET		GROSS		TOTAL COST				
NET		GROSS		TOTAL COST				

Approvals _____

Date _____ By _____ Company _____

Date _____ By _____ Company _____

BAYTEX

ENERGY USA LTD

August 18, 2010

Mr. David Goldal
P.O. Box 265
909 Crest Drive
Crosby, ND 58730

Re: Well Proposal
Larsen 8-162-99H
T162N-R99W
Sec. 8: SWNE, NWSE, S2SE
160.00 gross, 160.00 net acres
Divide County, ND

Via UPS

No. 1Z E19 1W1 01 9166 2646

Dear Mr. Goldal,

This letter will serve as notice, pursuant to the provisions of Section 38-08-08 of the North Dakota Century Code and Section 43-02-03-16.3 of the North Dakota Administrative Code, of the plans of Baytex Energy USA Ltd. ("Baytex") to drill the above-referenced well. As the owner of an unleased mineral interest in and under the above-described lands, Baytex, through its representatives, has, in good faith, made numerous attempts to lease your interests without success. Baytex's plans are as follows:

1. Baytex plans to drill the Larsen 8-162-99H well located in the NW/4 of Section 8, Township 162 North, Range 99 West, Divide County, North Dakota. Baytex proposes to drill a single horizontal lateral well to test the Three Forks formation within the Ambrose-Bakken Pool as defined by the North Dakota Industrial Commission at an approximate true vertical depth of approximately 8,570 feet. The lateral will have a bottom hole location approximately 550 feet from the south line and 550 feet from the east line of Section 8 T162N, R99W.

2. As set forth in the enclosed AFE for the Larsen 8-162-99H well, the estimated drilling and casing costs for this operation are \$2,218,000 and the estimated completed and equipped well costs are \$4,542,550.

3. Baytex has secured a rig and has plans to spud the Larsen 8-162-99H well on or about November 1, 2010.

4. Each working interest owner has thirty (30) days from receipt of this letter to accept or reject this well proposal. Baytex's records indicate that you own 160.00 net mineral acres or a 25.00% working interest in the proposed well. If you accept this well

Exhibit C

600 Seventeenth Street	Telephone 303.825.2777
Suite 1600S	Facsimile 303.825.2790
Denver, CO 80202	www.baytex.us

proposal and elect to participate in the drilling of the Larsen 8-162-99H well, please so indicate by executing the enclosed AFE and returning a copy of the AFE to the undersigned on or before thirty (30) days from the receipt of this letter.

5. If you elect not to participate in the proposed operation as outlined herein, please so indicate by marking the appropriate space provided below, executing this letter and returning it to Baytex on or before thirty (30) days from the receipt of this letter. Please take notice that in the event any owner offered an opportunity to participate hereby elects not to participate in the operations of the Larson 8-162-99H well, the participating owners plan to impose a risk penalty as provided by North Dakota law. Any nonparticipating owner may object to the risk penalty by either responding in opposition to the petition for a risk penalty, or if no such petition has been filed, by filing an application or request for hearing with the North Dakota Industrial Commission.

6. If you elect not to participate in the proposed operation as outline herein, and would rather execute a lease with Baytex being the Lessee, Baytex provides the following option for a six month lease using Baytex's lease form:

A lease covering your unleased mineral interest in Section 8, T162N-R99W, with a six month primary term, cash consideration of \$200.00 per net mineral acre, and a 20% royalty; plus a 6 month option to extend at \$200.00 per net acre.

If you have any questions, please do not hesitate to contact the undersigned at (303) 551-6452.

Very truly yours,

Lee Zink
Landman

Larsen 8-162-99H Well Election

☐ I/We elect to participate in Baytex's Well Proposal of the Larsen 8-162-99H.
☒ I/We elect NOT to participate in Baytex's Well Proposal of the Larsen 8-162-99H.
☐ Lease my interest in Section 8 to Baytex as per the leasing option above.

DAVID GOLDAL

By: David Goldal
Title: _____
Date: 9-15-2010

**BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA**

CASE NO. _____

In the matter of the petition for a risk penalty of Baytex Energy USA Ltd. requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by N.D.C.C. § 38 08 08 in the drilling and completing of the Larsen 8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, pursuant to N.D.A.C. § 43-02-03-88.1, and such other and further relief as is appropriate.



NOTICE OF HEARING

PLEASE TAKE NOTICE that Baytex Energy USA Ltd. filed the above-referenced application with the North Dakota Industrial Commission.

A hearing will be held at 9:00 a.m. on January 13, 2010 at the Department of Mineral Resources Conference Room, Oil and Gas Division, 1016 East Calgary Avenue, Bismarck, North Dakota, to consider the request of Baytex Energy USA Ltd.

As noted in the attached application, the applicant is requesting the authority to impose a risk penalty against any nonparticipating owner electing not to participate in the drilling of the contemplated well. Any nonparticipating owner may object to the risk penalty by responding in opposition to the application.

DATED this 13th day of December, 2010.

FREDERICKSON & BYRON, P.A.

By _____

LAWRENCE BENDER, ND Bar #03908
Attorneys for Applicant Baytex Energy USA Ltd.
200 North 3rd Street, Suite 150
Post Office Box 1855
Bismarck, North Dakota 58502-1855
701-221-4020

BEFORE THE INDUSTRIAL COMMISSION

OF THE STATE OF NORTH DAKOTA

CASE NO. _____

In the matter of the petition for a risk penalty of Baytex Energy USA Ltd. requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by N.D.C.C. § 38 08 08 in the drilling and completing of the Larsen 8-162-99H well located in a spacing unit described as Section 8, Township 162 North, Range 99 West, Ambrose-Bakken Pool, Divide County, North Dakota, pursuant to N.D.A.C. § 43-02-03-88.1, and such other and further relief as is appropriate.



CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the following documents:

1. **Petition of Baytex Energy USA Ltd.;**
2. **Notice of Hearing; and**
3. **Affidavit of Lee Zink**

were on the 14th day of December 2010 served by placing the same in the United States mail, with postage prepaid, certified mail, return receipt requested, at Bismarck, North Dakota, properly addressed to the following:

David Goldal
909 Crest Drive
PB Box 265
Crosby, ND 58730

A handwritten signature in black ink, appearing to read "Lawrence Bender", written over a horizontal line.

LAWRENCE BENDER
4848182_1.DOC

**David Goldal
909 Crest Drive
PB Box 265
Crosby, ND 58730**

EXHIBIT A

www.bismarcktribune.com

281.00 Legal 217.00

NOTICE OF HEARING
N.D. INDUSTRIAL COMMISSION
OIL AND GAS DIVISION

The North Dakota Industrial Commission will hold a public hearing at 9:00 a.m. Thursday, January 13, 2011, at the N.D. Oil & Gas Division, 1016 East Calgary Ave., Bismarck, N. D. At the hearing the Commission will receive testimony and exhibits. Persons with any interest in the cases listed below, take notice.

PERSONS WITH DISABILITIES: If at the hearing you need special facilities or assistance, contact the Oil and Gas Division at 701-328-8038 by Friday, December 31, 2010.

STATE OF NORTH DAKOTA TO:

~~Case No. 14006:~~ Proper spacing for the development of the Banks-Bakken Pool, McKenzie and Williams Counties, ND, redefine the field limits, and enact such special field rules as may be necessary. **Brigham Oil & Gas, LP; Zenergy, Inc.**

~~Case No. 14007:~~ Application of Brigham Oil & Gas, L.P. for an order to establish temporary spacing for the development of an oil and/or gas pool discovered by the Smith Farm 23-14 #1-H well, located in the SE1/4 of Section 23, T155N, R101W, Williams County, ND, define the field limits, enact such special field rules as may be necessary and such other relief as is appropriate.

~~Case No. 14008:~~ Application of Brigham Oil & Gas, L.P. for an order amending the field rules for the Kittleson Slough-Bakken Pool to create and establish two 1280-acre spacing units comprised of Sections 19 and 30, T158N, R91W; and Section 31, T158N, R91W, and Section 6, T157N, R91W, Mountrail County, ND, authorizing the drilling of a total of not more than four wells on each spacing unit, eliminating any tool error requirements and such other relief as is appropriate.

~~Case No. 14009:~~ Application of Brigham Oil & Gas, L.P. for an order amending the field rules for the Alger-Bakken Pool to create and establish a 1280-acre spacing unit comprised of Sections 22 and 23, T153N, R92W, Mountrail County, ND, authorizing the drilling of a total of not more than four wells on said spacing unit, eliminating any tool error requirements and such other relief as is appropriate.

~~Case No. 14110:~~ Application of Brigham Oil & Gas, L.P. for an order extending the field boundaries and amending the field rules for the Williston-Bakken Pool to create and establish a 1280-acre spacing unit comprised of Sections 3 and 10, T154N, R100W, Williams County, ND, authorizing the drilling of a total of not more than four horizontal wells on said spacing unit, eliminating any tool error requirements and such other relief as is appropriate.

~~Case No. 14011:~~ Temporary spacing to develop an oil and/or gas pool discovered by the Zenergy, Inc. #32-29H Aute, SW1/4 Section 32, T153N, R102W, Williams County, ND, define the field limits, and enact such special field rules as may be necessary.

~~Case No. 14012:~~ Temporary spacing to develop an oil and/or gas pool discovered by the Zenergy, Inc. #10-15H Payestee, NWNW1/4 Section 10, T151N, R104W, McKenzie County, ND, define the field limits, and enact such special field rules as may be necessary.

~~Case No. 14013:~~ Application of Anschutz Exploration Corp. for an order waiving the requirements of NDAC §§ 43-02-03-21 and 43-02-03-31 relative to the casing, tubing, and cementing requirements and well log completion and workover reports for the Evelyn Kary #1-15-22H-144-97 well located in Section 15, T144N, R97W, Dunn County, ND, and such other relief as is appropriate.

~~Case No. 14014:~~ In the matter of a hearing called on a motion of the Commission to consider the whether Sections 36 and 25, T154N, R104W, Williams County, ND, are the appropriate spacing unit for the Slawson Exploration Co., Inc. #1-36-25H Stampede well, located 250 feet from the south line and 1330 feet from the east line of Section 36, in the Painted Woods-Bakken Pool, and such other relief as is appropriate.

~~Case No. 14015:~~ Application of Slawson Exploration Co., Inc. for an order to establish temporary spacing for the development of an oil and/or gas pool discovered by the Cyclone #1-21-16H well, located in the SW1/4 of Section 21, T150N, R100W, McKenzie County, ND, define the field limits, enact such special field rules as may be necessary and such other relief as is appropriate.

§ 38-08-08 and such other matter as is appropriate.

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Case No. 14051: Application of Sinclair Oil & Gas 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.146N., R.97W., Little Knife-Bakken Pool, Dunn County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14052: Application of Sinclair Oil & Gas Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 18 and 19, T.146N., R.97W., Little Knife-Bakken Pool, Dunn County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14053: Application of Newfield Production Co. for an order authorizing the drilling, completing and producing of a total of not more than three wells on each 640-acre spacing unit described as Sections 1 and 12, T.150N., R.100W., Sandrocks-Bakken Pool, McKenzie County, ND, eliminating any tool error requirements and such other relief as is appropriate.

Case No. 14054: Application of Newfield Production Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Section 1, T.150N., R.100W., Sandrocks-Bakken Pool, McKenzie County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14055: Application of Newfield Production Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Section 12, T.150N., R.100W., Sandrocks-Bakken Pool, McKenzie County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14056: Application of Ward Villiston Co. in accordance with NDAC § 43-02-03-88.1 for an order allowing the production from the Kveum #1 well, located in Section 17, T.163N., R.79W., and the Kveum #2 well, located in Section 17, T.163N., R.79W., to be commingled into Kveum Central Tank Battery Central Tank Battery or production facility, Scotia-Madison Pool, Bottineau County, ND, as an exception to the provisions of NDAC § 43-02-03-48 and such other relief as is appropriate.

Case No. 13940: (Continued) Application of Hunt Oil Co. for an order authorizing the drilling, completing and producing of horizontal increase density wells on each 640-acre spacing unit and each 1280-acre spacing unit within the Clear Water-Bakken Pool, Burke and Mountrail Counties, ND, not to exceed a total of three horizontal wells on each such spacing unit, eliminating any tool error requirements, and such other relief as is appropriate.

Signed by,
Jack Dalrymple, Governor
Chairman, ND Industrial Commission
12/22 - 606207

NOTICE OF HEARING

AL COMMISSION OIL AND GAS DIVISION

30 and 31, T.160N., R.102W., Divide County, ND, authorizing the drilling of a total of not more than four wells on said spacing unit, and such other relief as is appropriate.

Case No. 14030: Application of Samson Resources Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 13 and 24, T.163N., R.98W., Blooming Prairie-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14031: Application of Samson Resources Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 15 and 22, T.163N., R.98W., Blooming Prairie-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14032: Application of Samson Resources Co. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 27 and 34, T.163N., R.98W., Blooming Prairie-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14033: Application of Baytex Energy USA Ltd. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 6 and 7, T.162N., R.99W., Ambrose-Bakken Pool, Divide County, ND; as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14034: Application of Baytex Energy USA Ltd. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Section 8, T.162N., R.99W., Ambrose-

Bakken Pool, Divide County, ND; as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14035: Application of Continental Resources, Inc. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 14 and 23, T.161N., R.96W., Upland-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14036: Application of Continental Resources, Inc. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 3 and 10, T.160N., R.97W., Wildrose-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14037: Application of Continental Resources, Inc. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 18 and 19, T.160N., R.96W., Hamlet-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Case No. 14038: Application of Continental Resources, Inc. for an order pursuant to NDAC § 43-02-03-88.1 pooling all interests in a spacing unit described as Sections 29 and 32, T.160N., R.96W., Hamlet-Bakken Pool, Divide County, ND as provided by NDCC § 38-08-08 and such other relief as is appropriate.

Signed by,
Jack Dalrymple, Governor
Chairman,
ND Industrial
Commission
(12-22)

Jan 13, 201



Affidavit of Publication

State of North Dakota, County of Divide, ss:

I, Steven J. Andrist, being first duly sworn, on my oath, say that I am the publisher of The Journal, a weekly newspaper of general circulation and official newspaper of Divide County, State of North Dakota, published in the city of Crosby, ND, and that the advertisement headed

NOTICE OF HEARING

a printed copy of which is here attached, was published in The Journal on the following dates:

December 22, 2010 165 lines @ .62 = 102.30

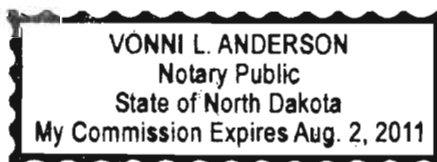
TOTAL CHARGE.....\$102.30

Signed

Steven J. Andrist, Publisher

Subscribed and sworn to before me December 22, 2010

Vonni L. Anderson
Notary Public, State of North Dakota



Case # 14024, 14027, 13839 on back.

The North Dakota Industrial Commission will hold a public hearing at 9:00 a.m. Thursday, January 13, 2011, at the N.D. Oil & Gas Division, 1016 East Calgary Ave., Bismarck, N.D. At the hearing the Commission will receive testimony and exhibits. Persons with any interest in the cases listed below, take notice.

PERSONS WITH DISABILITIES: If at the hearing you need special facilities or assistance, contact the Oil and Gas Division at 701-328-8038 by Friday, December 31, 2010.

STATE OF NORTH DAKOTA
TO:

✓ Case No. 14024: Application of Crescent Point Energy U.S. Corp. for an order extending the field boundaries and amending the field rules for the West Ambrose-Bakken Pool to create and establish a 1280-acre spacing unit comprised of Sections 29 and 32, T.163N., R.100W., Divide County, ND, authorizing the drilling of one horizontal well on said spacing unit and such other relief as is appropriate.

✓ Case No. 14027: In the matter of the petition for a risk penalty of Baytex Energy USA Ltd. requesting an order authorizing the recovery of a risk penalty from certain non-participating owners, as provided by NDCC § 38 08 08 in the drilling and completing of the Larsen #8-162-99H well located in a spacing unit described as Section 8, T.162N., R.99W., Ambrose-Bakken Pool, Divide County, ND, pursuant to NDAC § 43-02-03-88.1, and such other relief as is appropriate.

✓ Case No. 13839: (Continued) Application of Newfield Production Co. for an order amending the field rules for the Fertile Valley-Bakken Pool to create and establish a 1280-acre spacing unit comprised of Sections