

BEFORE THE INDUSTRIAL COMMISSION  
OF THE STATE OF NORTH DAKOTA

CASE NO. 9159  
ORDER NO. 10764

IN THE MATTER OF A HEARING CALLED ON  
A MOTION OF THE COMMISSION TO  
CONSIDER THE TEMPORARY SPACING TO  
DEVELOP AN OIL AND/OR GAS POOL  
DISCOVERED BY THE STONE ENERGY CORP.  
#25-2 PLUMER-LUNDQUIST WELL, LOCATED  
IN THE NW/4 NE/4 OF SECTION 25, T.161N.,  
R.99W., DIVIDE COUNTY, ND, DEFINE THE  
FIELD LIMITS, AND ENACT SUCH SPECIAL  
FIELD RULES AS MAY BE NECESSARY.

TEMPORARY ORDER OF THE COMMISSION

THE COMMISSION FINDS:

- (1) This cause came on for hearing at 9:00 a.m. on the 27th day of September, 2006.
- (2) The witnesses for Stone Energy Corp. (Stone) provided telephonic testimony in this matter, pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.2. Telephonic Communication Affidavits were received on October 4, 2006, therefore, such testimony may be considered evidence.
- (3) Geological and engineering evidence presented to the Commission relative to the matter of well spacing indicates that the Burg-Gunton Pool, as classified and defined in this order, should be developed on a pattern of one well per 320 acres for the effective and efficient recovery of oil from said pool, to assure rapid development, to avoid the drilling of unnecessary wells, and to prevent waste in a manner that will protect correlative rights.
- (4) Temporary 320-acre spacing in the Burg-Gunton Pool will result in the efficient and economical development of the field as a whole and will operate so as to prevent waste and provide maximum ultimate recovery, will avoid the drilling of unnecessary wells, and will protect correlative rights.
- (5) The unrestricted flaring of gas produced from the Burg-Gunton Pool could be considered waste, and in order to minimize such, production from the pool should be restricted until the wells producing therefrom are connected to a gas gathering and processing facility.

(6) Certain special field rules are necessary to prevent waste and protect against the contamination and pollution of surface lands and fresh waters.

IT IS THEREFORE ORDERED:

(1) The following described tracts of land in Divide County, North Dakota, are hereby designated the Burg Field:

TOWNSHIP 161 NORTH, RANGE 99 WEST, 5TH PM  
THE SE/4 OF SECTION 24 AND THE NE/4 OF SECTION 25.

(2) The Burg-Gunton Pool is hereby defined as that accumulation of oil and gas found in the interval from below the base of the Stonewall Formation to above the top of the Stoughton Member of the Stony Mountain Formation within the limits of the field as set forth above.

(3) The temporary spacing for the development of the Burg-Gunton Pool is hereby set at one well per 320 acres.

(4) All wells hereafter drilled to the Burg-Gunton Pool shall be located not less than 660 feet from a spacing unit boundary. Wells presently permitted to or producing from the pool that do not conform to this spacing pattern shall be considered exceptions.

(5) The SE/4 of Section 24 and the NE/4 of Section 25, Township 161 North, Range 99 West, Divide County, North Dakota, is hereby designated a 320-acre spacing unit in the Burg-Gunton Pool.

(6) Hereafter, spacing units in the Burg-Gunton Pool shall consist of two adjacent quarter sections, as designated by the Commission, after due notice and hearing.

(7) The Burg-Gunton Pool shall not be extended except by further order of the Commission after due notice and hearing.

(8) No well hereafter shall be drilled in the Burg-Gunton Pool except in conformity with the regulations above without special order of the Commission after due notice and hearing.

(9) The following rules concerning the casing, tubing and equipping of the wells shall apply to the subsequent drilling and operation of wells in the Burg-Gunton Pool:

- (a) The surface casing shall consist of new or reconditioned pipe that has been previously tested to 1000 pounds per square inch. The casing shall be set and cemented at a point not less than 50 feet below the base of the Fox Hills Formation. Sufficient cement shall be used to fill the annular space outside the pipe to the surface of the ground, or the bottom of the cellar, and sufficient scratchers and centralizers shall be used to assure a good cement job. Cement shall be allowed to stand a minimum of 12 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21;

- (b) The producing or oil string shall consist of new or reconditioned pipe that has been previously tested to 2000 pounds per square inch. Casing shall be set and cemented at a point not higher than the top of the producing formation, or at a point approved by the Director. Sufficient cement shall be used and applied in such a manner as to protect and isolate all formations containing oil and/or gas, protect the pipe through salt sections encountered, and isolate the Dakota-Lakota Series. The cement shall be allowed to stand a minimum of 15 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21. After cementing, the casing shall be tested by application of pump pressure of at least 2000 pounds per square inch. If, at the end of 30 minutes this pressure has dropped 150 pounds per square inch or more, the casing shall be repaired. Thereafter, the casing shall again be tested in the same manner. Further work shall not proceed until a satisfactory test has been obtained;
- (c) All well-head fittings and connections shall have a working pressure in excess of that to which they are expected to be subjected; and,
- (d) All wells shall be equipped with tubing; a tubing packer must also be utilized in flowing wells unless a waiver is obtained from the Director after demonstrating the casing will not be subjected to excessive pressure or corrosion; all tubing shall be of sufficient internal diameter to allow the passage of a bottom hole pressure gauge for the purpose of obtaining bottom hole pressure measurements.

(10) The gas-oil ratio of all wells not connected to a gas gathering system shall be measured annually during the month of May. The reservoir pressure shall be measured within 45 days in all wells hereinafter completed in the Burg-Gunton Pool. Drill stem test pressures are acceptable for determining reservoir pressure. Pressure measurements shall be made at or adjusted to a subsea datum of 9150 feet after the well has been shut in for a minimum of 48 hours. All gas-oil ratio and reservoir pressure determinations shall be made by methods approved by the Director and reported to the Director within 15 days following the end of the month in which they are determined. The Director is authorized to waive these requirements if the necessity therefor can be demonstrated to his satisfaction. All additional gas-oil ratio and reservoir pressure determinations conducted on any well, but not specifically required herein, shall be reported to the Director within 15 days following the end of the month in which they are determined.

(11) No salt water, drilling mud, crude oil, or waste oil shall be stored in pits in this field, except in an emergency, and approved by the Director.

(12) For the purposes of division of production to owners of interests in spacing units established by this order, and proven productive prior to the date hereof, this order shall be retroactive to the date of first production.

(13) All wells in the Burg-Gunton Pool shall be allowed to produce at a maximum efficient rate for a period of 30 days commencing on the first day oil is produced through well-head equipment into tanks from the ultimate producing interval after casing has been run; after that, oil production from such wells shall not exceed an average of 200 barrels per day for a period of

60 days; after that, oil production from such wells shall not exceed an average of 150 barrels per day for a period of 60 days, thereafter, oil production from such wells shall not exceed an average of 100 barrels of oil per day; if and when such wells are connected to a gas gathering and processing facility the foregoing restrictions shall be removed, and the wells shall be allowed to produce at a maximum efficient rate.

(14) If the flaring of gas produced with crude oil from the Burg-Gunton Pool causes, or threatens to cause, degradation of ambient air quality, production from the pool shall be further restricted.

(15) This order covers all of the Burg-Gunton Pool, common source of supply of crude oil and/or natural gas as herein defined, and continues in full force and effect until the 30th day of April, 2008. If the Burg-Gunton Pool is still producing, the proper spacing for the pool will be considered by the Commission on or before its regularly scheduled hearing date in March, 2008. If, however, the Burg-Gunton Pool is no longer producing when the proper spacing is to be considered, the Commission, at its own discretion, may refrain from scheduling a proper spacing hearing and may, without further notice, enter an order dismissing the proper spacing matter.

Dated this 6th day of October, 2006.

INDUSTRIAL COMMISSION  
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director