

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 9276
ORDER NO. 10890

IN THE MATTER OF A HEARING CALLED ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF STONE ENERGY CORP. FOR AN ORDER PURSUANT TO NDAC § 43-02-03-88.1 ALLOWING THE PRODUCTION FROM THE BURG-GUNTON AND BURG-RED RIVER POOLS AND THE STONEWALL FORMATION TO BE COMMINGLED IN THE WELL BORE OF THE #25-2 PLUMER-LUNDQUIST, NW/4 NE/4 SECTION 25, T.161N., R.99W., BURG FIELD, DIVIDE COUNTY, ND, 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 20th day of December, 2006.
- (2) Pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.1, the Director is authorized to sign, on behalf of the Commission, orders relating to, inter alia, commingling in one well bore the fluids from two or more pools under NDAC Section 43-02-03-42.
- (3) Stone Energy Corporation is desirous of commingling production from the Burg-Stonewall, Gunton and Red River Pools in the well bore of its Plumer-Lundquist #25-2 well (File #14775), located in the NW/4 of the NE/4 of Section 25, Township 161 North, Range 99 West, Divide County, North Dakota.
- (4) The Plumer-Lundquist #25-2 well is currently producing from the Gunton Pool. The spacing unit for the Gunton and Red River Pools is the 320-acre unit described as the SE/4 of Section 24 and the NE/4 of Section 25, although the Birdbear Pool is currently unspaced in the Burg Field.
- (5) Commingled production from the Burg-Stonewall, Gunton and Red River Pools in the Plumer-Lundquist #25-2 well should not be allowed until pressures in such pools have been sufficiently depleted to prevent cross-flow of fluids in the well bore.

(6) Production allocation will be based upon a decline curve method approved by the Director.

(7) The commingling of production from said pools in the Plumer-Lundquist #25-2 well will recover oil that otherwise might not be recovered and will protect correlative rights.

(8) There were no objections to this application.

(9) In order to prevent waste and protect correlative rights this case should be granted with provisions.

IT IS THEREFORE ORDERED:

(1) Stone Energy Corporation, its assigns and successors, is hereby permitted to commingle production from the Burg-Stonewall, Gunton and Red River Pools in the well bore of its Plumer-Lundquist #25-2 well (File #14775), located in the NW/4 of the NE/4 of Section 25, Township 161 North, Range 99 West, Divide County, North Dakota.

(2) The allocation of oil to the respective pools shall be based upon a set percentage method utilizing historical production and approved by the Director. The Director reserves the right to approve an alternate method if its accuracy can be demonstrated to his satisfaction.

(3) Approval in paragraph (1) above is contingent upon the following stipulations:

(a) The operator shall submit an application on a Sundry Notice (Form 4) to the Oil and Gas Division prior to commingling. Commingling shall not commence until the Director has approved said notice. The application must include at least the following:

- (i) Current downhole well bore schematic.
- (ii) Proposed procedures for conversion to commingling.

(b) The operator shall submit a Form 4, within thirty (30) days after commingling, including at least the following:

- (i) Detail of all work done.
- (ii) Current downhole well bore schematic.
- (iii) Date commingling commenced.
- (iv) Current producing method and average daily oil, gas and water.
- (v) Proposed method of allocation of production.
- (vi) Testing frequency, if applicable.

(c) The operator shall submit a Completion Report (Form 6), within thirty (30) days of commingling, reporting the commingled production.

(4) In the event the Director approves an alternative method of allocation utilizing the differences in chemical composition of oil, at least the following must be submitted:

- (a) A chemical fingerprint analysis of a representative sample of oil from each pool to be commingled.
- (b) A chemical fingerprint analysis of a representative sample of the commingled oil shall be conducted immediately and performed at regular intervals as approved by the Director.
- (c) A copy of each chemical fingerprint analysis performed on the commingled oil sample and the resulting allocation calculation shall be submitted to the Oil and Gas Division within thirty (30) days of conducting such analysis.

(5) In the event a workover or stimulation project is done to the Plumer-Lundquist #25-2 well in a pool upon which a decline curve allocation was based, the operator shall submit a Form 4 detailing the work done, including the date the well was put back on commingled production, and the proposed method of allocation of production and the testing frequency. The subsequent method of allocation of production and the testing frequency shall be as required by the Director.

(6) Any authorization for commingling of production granted under the provisions of this order is contingent upon full compliance with the terms and conditions approved by the Director to insure proper allocation of production from the respective pools authorized to be commingled. The Director may immediately revoke or rescind the authorization upon a determination of noncompliance.

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

Dated this 16th day of January, 2007.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director