

BEFORE THE INDUSTRIAL COMMISSION  
OF THE STATE OF NORTH DAKOTA

CASE NO. 18011  
ORDER NO. 20280

IN THE MATTER OF A HEARING CALLED ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF XTO ENERGY INC. FOR AN ORDER AUTHORIZING A TOTAL OF EIGHT WELLS ON EACH EXISTING 1280-ACRE SPACING UNIT DESCRIBED AS SECTIONS 13 AND 24; SECTIONS 15 AND 22; SECTIONS 25 AND 36, T.154N., R.97W.; SECTIONS 12 AND 13; SECTIONS 14 AND 23; SECTIONS 15 AND 22; SECTIONS 16 AND 21; SECTIONS 17 AND 20; SECTIONS 18 AND 19; SECTIONS 24 AND 25; SECTIONS 26 AND 35; SECTIONS 27 AND 34, T.154N., R.96W.; SECTIONS 17 AND 18; SECTIONS 19 AND 30; AND SECTIONS 20 AND 29, T.154N., R.95W., GRINNELL-BAKKEN POOL, WILLIAMS AND MCKENZIE COUNTIES, ND, ELIMINATING ANY TOOL ERROR REQUIREMENTS, 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 31st day of May, 2012.
- (2) XTO Energy Inc. (XTO) provided exhibits and testimony in this matter by sworn affidavits.
- (3) XTO made application to the Commission for an order authorizing a total of eight wells on each existing 1280-acre spacing unit described as Sections 13 and 24; Sections 15 and 22; Sections 25 and 36, Township 154 North, Range 97 West; Sections 12 and 13; Sections 14 and 23; Sections 15 and 22; Sections 16 and 21; Sections 17 and 20; Sections 18 and 19; Sections 24 and 25; Sections 26 and 35; Sections 27 and 34, Township 154 North, Range 96 West; Sections 17 and 18; Sections 19 and 30; and Sections 20 and 29, Township 154 North, Range 95 West, Williams and McKenzie Counties, North Dakota, Grinnell-Bakken Pool, eliminating any tool error requirements, and such other relief as is appropriate.
- (4) Order No. 16378 entered in Case No. 14103, the most recent spacing order for the Grinnell-Bakken Pool, established proper spacing for the development of Zone I at up to two

horizontal wells per 1280 acres, and Zones II and III at up to three horizontal wells per 1280 acres.

(5) Sections 13 and 24; Sections 15 and 22; Sections 25 and 36, Township 154 North, Range 97 West, McKenzie and Williams Counties; Sections 17 and 20; and Sections 18 and 19, Township 154 North, Range 96 West, Williams County, North Dakota, are currently standup 1280-acre spacing units in Zone I in the Grinnell-Bakken Pool.

(6) Sections 12 and 13; Sections 14 and 23; Sections 15 and 22; Sections 16 and 21, Township 154 North, Range 96 West, Williams County; Sections 24 and 25; Sections 26 and 35; Sections 27 and 34, Township 154 North, Range 96 West; Sections 19 and 30; and Sections 20 and 29, Township 154 North, Range 95 West, McKenzie and Williams Counties, North Dakota, are currently standup 1280-acre spacing units in Zone II in the Grinnell-Bakken Pool and comprise Zone II in its entirety.

(7) Sections 17 and 18, Township 154 North, Range 95 West, Williams County, North Dakota, are currently laydown 1280-acre spacing units in Zone III in the Grinnell-Bakken Pool and comprise Zone III in its entirety.

(8) XTO's idealized development plan for each standup 1280-acre spacing unit described in paragraphs (5) and (6) above is to drill eight horizontal wells, four in the middle member of the Bakken Formation and four in the upper Three Forks Formation. Four horizontal wells will be drilled from a common drilling pad in the NW/4 of the north sections or the SW/4 of the south sections, with middle member Bakken Formation wells drilled approximately 660 feet and 1980 feet from the west spacing unit boundary and upper Three Forks Formation wells drilled approximately 500 feet and 1820 feet from the west spacing unit boundary. Four horizontal wells will be drilled from a common drilling pad in the NE/4 of the north sections or the SE/4 of the south sections, with middle member Bakken Formation wells drilled approximately 660 feet and 1980 feet from the east spacing unit boundary and upper Three Forks Formation wells drilled approximately 820 feet and 2140 feet from the east spacing unit boundary. XTO's idealized development plan for the laydown 1280-acre spacing unit described in paragraph (7) above is to drill eight horizontal wells, four in the middle member of the Bakken Formation and four in the upper Three Forks Formation. Four horizontal wells will be drilled from a common drilling pad in the NW/4 of Section 18, with middle member Bakken Formation wells drilled approximately 660 feet and 1980 feet from the north spacing unit boundary and upper Three Forks Formation wells drilled approximately 820 feet and 2140 feet from the north spacing unit boundary. Four horizontal wells will be drilled from a common drilling pad in the SE/4 of Section 18, with middle member Bakken Formation wells drilled approximately 660 feet and 1980 feet from the south spacing unit boundary and upper Three Forks Formation wells drilled approximately 500 feet and 1820 feet from the south spacing unit boundary. Utilization of horizontal drilling technology as proposed would result in the wells being completed at a location or locations not in compliance with current applicable spacing orders for the Grinnell-Bakken Pool. The horizontal well designs proposed may be preliminary and could be changed for various reasons which is permissible as long as the horizontal well design still justifies the spacing unit.

(9) Allowing such common drilling pads will reduce the expenditure of funds on surface facilities and enhance the economics of production, thereby preventing economic waste and

promoting the greatest ultimate recovery of oil and gas from the Grinnell-Bakken Pool. Utilization of such common drilling pads will improve the timing and economics of connecting wells to gas gathering systems thereby reducing gas flaring and will minimize surface disturbance and enhance the aesthetic values resulting from fewer production facilities.

(10) XTO requested any tool error in the directional survey equipment when calculating the bottom hole location of any horizontal lateral drilled in the spacing units be waived. The Commission enforces a policy which requires measurement inaccuracies in the directional survey equipment be considered when the angle between the horizontal lateral and the corresponding spacing unit boundary is ten degrees or less. Waiving potential tool error in the directional survey equipment when calculating the bottom hole location of any horizontal lateral in spacing units which allow multiple horizontal wells will allow said spacing units to be more efficiently developed.

(11) XTO estimates the additional oil and gas to be recovered by each additional well will pay for the cost of drilling and completing the well and yield a profit, hence, each additional well will be economic.

(12) There were no objections to this application.

(13) If XTO's activities are successful, greater ultimate recovery of oil and gas from the pool will be achieved which will prevent waste and the drilling of unnecessary wells in a manner which will not have a detrimental effect on correlative rights.

(14) In order to prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights, this application should be approved.

**IT IS THEREFORE ORDERED:**

(1) Sections 13 and 24; Sections 15 and 22; Sections 25 and 36, Township 154 North, Range 97 West, McKenzie and Williams Counties; Sections 12 and 13; Sections 14 and 23; Sections 15 and 22; Sections 16 and 21; Sections 17 and 20; Sections 18 and 19, Township 154 North, Range 96 West, Williams County; Sections 24 and 25; Sections 26 and 35; Sections 27 and 34, Township 154 North, Range 96 West; Sections 19 and 30; and Sections 20 and 29, Township 154 North, Range 95 West, McKenzie and Williams Counties, North Dakota, are hereby established as standup 1280-acre spacing units for the exclusive purpose of drilling up to eight horizontal wells within each said spacing unit within the Grinnell-Bakken Pool and Zone III is hereby redefined to include said spacing units. Existing and future vertical and directional wells drilled within the spacing units herein established shall not be subject to this order.

(2) Sections 17\* and 18, Township 154 North, Range 95 West, Williams County, North Dakota, are hereby established as a laydown 1280-acre spacing unit for the exclusive purpose of drilling up to eight horizontal wells within said spacing unit within the Grinnell-Bakken Pool and Zone IV is hereby created to include said spacing unit. Existing and future vertical and directional wells drilled within the spacing unit herein established shall not be subject to this order.

\*The E/2 NE/4 of Section 17 is within the Hofflund Field.

(3) The Director is hereby authorized to exercise continuing jurisdiction in this matter to determine whether a horizontal well proposed or drilled upon the 1280-acre spacing units herein established has justified the creation of such unit, to require amendments or modifications to the permit to drill for such horizontal well, and to deny a permit to drill in the event a well is proposed to be drilled in a manner inconsistent with the evidence that justified such spacing unit.

(4) Provisions established herein for the Grinnell-Bakken Pool are for the exclusive purpose of drilling horizontal wells. Existing and future vertical and directional wells drilled within the area defined in paragraph (5) below shall not be subject to this order.

(5) The Grinnell Field is hereby defined as the following described tracts of land in McKenzie and Williams Counties, North Dakota:

TOWNSHIP 154 NORTH, RANGE 97 WEST, 5TH PM  
ALL OF SECTIONS 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35 AND 36,

TOWNSHIP 154 NORTH, RANGE 96 WEST, 5TH PM  
ALL OF SECTIONS 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 AND 35,

TOWNSHIP 154 NORTH, RANGE 95 WEST, 5TH PM  
ALL OF SECTIONS 18, 19, 20, 29 AND 30, AND THE W/2, SE/4, AND W/2 NE/4 OF SECTION 17.

(6) The Grinnell-Bakken Pool is hereby redefined as the following described tracts of land in McKenzie and Williams Counties, North Dakota:

ZONE I (2/1280H-STANDUP)

TOWNSHIP 154 NORTH, RANGE 97 WEST, 5TH PM  
ALL OF SECTIONS 26 AND 35,

TOWNSHIP 154 NORTH, RANGE 96 WEST, 5TH PM  
ALL OF SECTIONS 28, 29, 30, 31, 32 AND 33.

ZONE II (5/1280H-STANDUP)

TOWNSHIP 154 NORTH, RANGE 97 WEST, 5TH PM  
ALL OF SECTIONS 27 AND 34.

ZONE III (8/1280H-STANDUP)

TOWNSHIP 154 NORTH, RANGE 97 WEST, 5TH PM  
ALL OF SECTIONS 13, 14, 15, 22, 23, 24, 25 AND 36,

TOWNSHIP 154 NORTH, RANGE 96 WEST, 5TH PM

ALL OF SECTIONS 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 34 AND 35,

TOWNSHIP 154 NORTH, RANGE 95 WEST, 5TH PM

ALL OF SECTIONS 19, 20, 29 AND 30.

ZONE IV (8/1280H-LAYDOWN)

TOWNSHIP 154 NORTH, RANGE 95 WEST, 5TH PM

ALL OF SECTIONS 17\* AND 18.

\*The E/2 NE/4 of Section 17 is within the Hofflund Field.

(7) The Grinnell-Bakken Pool is hereby defined as that accumulation of oil and gas found in the interval from 50 feet above the top of the Bakken Formation to 50 feet below the top of the Three Forks Formation within the limits of the field as set forth above.

(8) The proper spacing for the development of Zone I in the Grinnell-Bakken Pool is hereby set at up to two horizontal wells per standup 1280-acre spacing unit.

(9) All portions of the well bore not isolated by cement of any horizontal well in Zone I in the Grinnell-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(10) Sections 26 and 35, Township 154 North, Range 97 West, McKenzie County; Sections 28 and 33; Sections 29 and 32; and Sections 30 and 31, Township 154 North, Range 96 West; McKenzie and Williams Counties, North Dakota, are hereby designated standup 1280-acre spacing units in Zone I in the Grinnell-Bakken Pool.

(11) Spacing units hereafter created in Zone I in the Grinnell-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(12) Zone I in the Grinnell-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(13) The proper spacing for the development of Zone II in the Grinnell-Bakken Pool is hereby set at up to five horizontal wells per standup 1280-acre spacing unit.

(14) All portions of the well bore not isolated by cement of any horizontal well in Zone II in the Grinnell-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(15) Sections 27 and 34, Township 154 North, Range 97 West, McKenzie and Williams Counties, North Dakota, are hereby designated a standup 1280-acre spacing unit in Zone II in the Grinnell-Bakken Pool.

(16) Spacing units hereafter created in Zone II in the Grinnell-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(17) Zone II in the Grinnell-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(18) The proper spacing for the development of Zone III in the Grinnell-Bakken Pool is hereby set at up to eight horizontal wells per standup 1280-acre spacing unit.

(19) All portions of the well bore not isolated by cement of any horizontal well in Zone III in the Grinnell-Bakken Pool shall be no closer than 500 feet to the east or west boundary and 200 feet to the north or south boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(20) Sections 13 and 24; Sections 14 and 23; Sections 15 and 22; Sections 25 and 36, Township 154 North, Range 97 West, McKenzie and Williams Counties; Sections 12 and 13; Sections 14 and 23; Sections 15 and 22; Sections 16 and 21; Sections 17 and 20; Sections 18 and 19, Township 154 North, Range 96 West, Williams County; Sections 24 and 25; Sections 26 and 35; Sections 27 and 34, Township 154 North, Range 96 West; Sections 19 and 30; and Sections 20 and 29, Township 154 North, Range 95 West, Williams and McKenzie Counties, North Dakota, are hereby designated standup 1280-acre spacing units in Zone III in the Grinnell-Bakken Pool.

(21) Spacing units hereafter created in Zone III in the Grinnell-Bakken Pool shall be standup spacing units consisting of two adjacent governmental sections.

(22) Zone III in the Grinnell-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(23) The proper spacing for the development of Zone IV in the Grinnell-Bakken Pool is hereby set at up to eight horizontal wells per laydown 1280-acre spacing unit.

(24) All portions of the well bore not isolated by cement of any horizontal well in Zone IV in the Grinnell-Bakken Pool shall be no closer than 500 feet to the north or south boundary and 200 feet to the east or west boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment when calculating the bottom hole location in a horizontal well need not be considered.

(25) Sections 17\* and 18, Township 154 North, Range 95 West, Williams County, North Dakota, are hereby designated a laydown 1280-acre spacing unit in Zone IV in the Grinnell-Bakken Pool.

\*The E/2 NE/4 of Section 17 is within the Hofflund Field.

(26) Spacing units hereafter created in Zone IV in the Grinnell-Bakken Pool shall be laydown spacing units consisting of two adjacent governmental sections.

(27) Zone IV in the Grinnell-Bakken Pool shall not be extended except by further order of the Commission after due notice and hearing.

(28) The operator of any horizontally drilled well in the Grinnell-Bakken Pool shall cause to be made a directional survey of the well bore. The directional survey contractor shall file a certified survey with the Commission within 30 days after completion of the well in accordance with North Dakota Administrative Code (NDAC) Section 43-02-03-25. The survey shall be of sufficient quality to enable the Commission to determine the entire completion location of the well and its terminus.

(29) The Director is hereby authorized to exercise continuing jurisdiction to determine whether any well proposed or drilled upon any spacing unit herein established has justified the creation of such unit, to require amendments or modifications to the permit to drill for such well, and to deny a permit to drill in the event a well is proposed to be drilled in a manner inconsistent with the evidence that justified the spacing requirements in the Grinnell-Bakken Pool.

(30) The Commission shall have continuing jurisdiction in this matter and specifically reserves the authority, upon its own motion or the motion of any interested party, to: (1) review the spacing requirements for the Grinnell-Bakken Pool; (2) determine whether the separate zones of spacing established herein are warranted; and, (3) make such further amendments or modifications to the spacing requirements for the Grinnell-Bakken Pool as the Commission deems appropriate.

(31) No well shall be drilled or produced in the Grinnell-Bakken Pool, as defined herein, except in conformity with the regulations above without special order of the Commission after due notice and hearing.

(32) The following rules concerning the casing, tubing and equipping of wells shall apply to the subsequent drilling and operation of wells in the Grinnell-Bakken 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. After cementing, the casing shall be tested by application of pump pressure of at least 1500 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;

- (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 1500 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.

(33) 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 in any well completed in the Grinnell-Bakken Pool if deemed necessary by the Director. Drill stem test pressures are acceptable for determining reservoir pressure. Pressure measurements shall be made at or adjusted to a subsea datum of 7650 feet. 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 therefore can be demonstrated to his satisfaction. All additional gas-oil ratio and reservoir pressure determinations conducted on any well, but not specially required herein, shall be reported to the Director within 15 days following the end of the month in which they are determined.

(34) 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.

(35) All wells in the Grinnell-Bakken Pool shall be allowed to produce at a maximum efficient rate for a period of 60 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. The Director is authorized to issue an administrative order allowing unrestricted production at a maximum efficient rate for a period not to exceed 120 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, if the necessity therefor can be demonstrated to his satisfaction.

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

(37) This order shall cover all of the Grinnell-Bakken Pool, common source of supply of crude oil and/or natural gas as herein defined, and continues in full force and effect until further order of the Commission or until the last well in the pool has been plugged and abandoned.

Dated this 24th day of May, 2013.

INDUSTRIAL COMMISSION  
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director