

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 25065
ORDER NO. 27468

IN THE MATTER OF A HEARING CALLED ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF CONTINENTAL RESOURCES, INC. AN ORDER PURSUANT TO NDAC § 43-02-03-88.1 AUTHORIZING THE FLARING OF GAS FROM THE ELIAS 1-21H WELL (FILE NO. 30275) LOCATED IN THE SESW OF SECTION 21, T.159N., R.99W., WILLIAMS COUNTY, ND, BURG-BAKKEN POOL, PURSUANT TO THE PROVISIONS OF NDCC § 38-08-06.4 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 May, 2016.
- (2) Continental Resources, Inc. (Continental) provided exhibits and testimony in this matter by sworn affidavits.
- (3) The Commission received an application from Continental on April 15, 2016 for an order pursuant to North Dakota Administrative Code (NDAC) Section 43-02-03-88.1 authorizing the flaring of gas from the Elias 1-21H well (File No. 30275) located in the SE/4 SW/4 of Section 21, Township 159 North, Range 99 West, Williams County, North Dakota, Burg-Bakken Pool, pursuant to the provisions of North Dakota Century Code (NDCC) Section 38-08-06.4 and such other relief as is appropriate.
- (4) Pursuant to NDAC Section 43-02-03-88.1, the Director is authorized, on behalf of the Commission, to grant or deny applications relating to, inter alia, flaring exemptions under NDCC Section 38-08-06.4 and under NDAC Section 43-02-03-60.2.
- (5) NDCC Section 38-08-06.4 states:

FLARING OF GAS RESTRICTED - IMPOSITION OF TAX -
PAYMENT OF ROYALTIES - INDUSTRIAL COMMISSION AUTHORITY.

1. As permitted under rules of the industrial commission, gas produced with crude oil from an oil well may be flared during a one-year period from the date of first production from the well.
2. After the time period in subsection 1, flaring of gas from the well must cease and the well must be:
 - a. Capped;
 - b. Connected to a gas gathering line;
 - c. Equipped with an electrical generator that consumes at least seventy-five percent of the gas from the well;
 - d. Equipped with a system that intakes at least seventy-five percent of the gas and natural gas liquids volume from the well for beneficial consumption by means of compression to liquid for use as fuel, transport to a processing facility, production of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting over fifty percent of the propane and heavier hydrocarbons; or
 - e. Equipped with other value-added processes as approved by the industrial commission which reduce the volume or intensity of the flare by more than sixty percent.
3. An electrical generator and its attachment units to produce electricity from gas and a collection system described in subdivision d of subsection 2 must be considered to be personal property for all purposes.
4. For a well operated in violation of this section, the producer shall pay royalties to royalty owners upon the value of the flared gas and shall also pay gross production tax on the flared gas at the rate imposed under section 57-51-02.2.
5. The industrial commission may enforce this section and, for each well operator found to be in violation of this section, may determine the value of flared gas for purposes of payment of royalties under this section and its determination is final.
6. A producer may obtain an exemption from this section from the industrial commission upon application that shows to the satisfaction of the industrial commission that connection of the well to a natural gas gathering line is economically infeasible at the time of the application or in the foreseeable future or that a market for the gas is not available and that equipping the well with an electrical generator to produce electricity from gas or employing a collection system described in subdivision d of subsection 2 is economically infeasible.

(6) Continental is the owner or operator of the following well in the Burg-Bakken Pool, Williams County, North Dakota:

<u>File #</u>	<u>Well Name & Number</u>	<u>Location</u>
30275	Elias 1-21H	SESW Section 21-T159N-R99W

The Commission approved the transfer of the Elias 1-21H well from Continental to Kraken Operating, LLC on October 27, 2016.

(7) The Elias 1-21H well was completed in the Burg-Bakken Pool on or around March 18, 2015. Pursuant to NDCC Section 38-08-06.4, gas produced with crude oil from an oil well may be flared during a one-year period from the date of first production from the well.

(8) The Burg-Bakken Pool is an oil reservoir, but gas is produced in association with the oil at the wellhead as a by-product of oil production.

(9) By previous order of the Commission, said well is currently authorized to flare so that all owners of interests in the well herein described may receive the maximum benefits of the oil production in such a manner that will prevent waste and protect correlative rights.

(10) The well is currently not connected to a gas gathering facility and evidence presented to the Commission indicates that the well currently produces approximately 85 MCF per day, which is flared.

(11) The well is located approximately 3 miles from the nearest gas gathering system.

(12) The applicant has submitted evidence that under current market conditions the surplus casinghead gas presently being produced by the well and the estimated recoverable reserves of surplus gas from the well is insufficient to recoup the costs of installing and operating a gas gathering facility.

(13) Continental has provided documentation that connection of the well to a natural gas gathering line is economically infeasible at the time of the application or in the foreseeable future.

(14) Continental has provided documentation that it is economically infeasible to equip the well with a collection system that intakes at least seventy-five percent of the gas and natural gas liquids volume from the well for beneficial consumption.

(15) If applicant's request is not granted, taxes and royalties must be paid on flared gas which will increase operating costs, raise the economic limit and cause premature abandonment of the well; or the well must be connected to a gas pipeline at an economic loss which would also cause premature abandonment, or flaring must cease and the well must be "capped," resulting in the loss of oil production and the loss of the benefits of that production by all owners of interest in the well and the State of North Dakota.

(16) In order to prevent waste, and protect correlative rights this application should be granted, although limited in duration.

IT IS THEREFORE ORDERED:

(1) Continental Resources, Inc., its assigns and successors, is hereby allowed to flare surplus casinghead gas produced with crude oil from the Burg-Bakken Pool through the well listed below under the exemption provided for under NDCC Section 38-08-06.4:

<u>File #</u>	<u>Well Name & Number</u>	<u>Location</u>
30275	Elias 1-21H	SESW Section 21-T159N-R99W

(2) This order is effective as of April 15, 2016 and shall remain in full force and effect through December 31, 2018.

Dated this 7th day of April, 2017.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

By the Director, on behalf of the Commission

/s/ Lynn D. Helms, Director