BEFORE THE INDUSTRIAL COMMISSION

OF THE STATE OF NORTH DAKOTA

CASE NO. 9902 ORDER NO. 11661

IN THE MATTER OF A HEARING CALLED ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF PETRO-HUNT, L.L.C. FOR AN ORDER POOLING ALL INTERESTS IN A SPACING UNIT FOR THE BURG-BAKKEN POOL, SECTION 24, T.160N., R.99W., DIVIDE COUNTY, ND; AUTHORIZING THE RECOVERY FROM EACH NON-PARTICIPATING OWNER OF A RISK PENALTY AS PROVIDED IN NDCC § 38-08-08 AND FOR 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 16th day of January, 2008.
- (2) Pursuant to North Dakota Administrative Code Section 43-02-03-88.1, the Director is authorized to sign, on behalf of the Commission, orders relating to, inter alia, pooling under North Dakota Century Code (NDCC) Section 38-08-08.
- (3) The applicant is the owner of an interest in an oil and gas leasehold estate in a spacing unit for the Burg-Bakken Pool described as all of Section 24, Township 160 North, Range 99 West, Divide County, North Dakota.
- (4) Said spacing unit is created in accordance with an order of the Commission and there are separately owned tracts and/or separately owned interests in the spacing unit, and some of the owners thereof have not voluntarily pooled their interests for the development and operation of said spacing unit.
- (5) The Commission makes no findings with regard to the specific acreage or percentage attributed to separately owned tracts or interests.
- (6) NDCC Section 38-08-08 requires the Commission to enter a pooling order upon application when two or more separately owned tracts are embraced within a spacing unit, or there are separately owned interests in all or a part of a spacing unit, in the absence of voluntary pooling. The section further provides that working interest owners in the spacing unit shall pay

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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.

- (7) Applicant requests an order of the Commission pooling all interests in the spacing unit, and allowing the recovery of a risk penalty from nonparticipating owners.
 - (8) There were no objections to this application.
- (9) This application should be granted in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

- (1) All oil and gas interests in a spacing unit for the Burg-Bakken Pool described as all of Section 24, Township 160 North, Range 99 West, Divide County, North Dakota, are hereby pooled for the development and operation of the spacing unit.
- (2) This pooling shall not determine or establish the specific acreage to be attributed to separately owned tracts, or specific interests attributed to separately owned interests.
- (3) The operator of the well for said spacing unit shall conduct operations in a manner so as to protect correlative rights of all interested parties.
- (4) All owners of interests shall recover or receive, without unnecessary expense, their just and equitable share of production from said spacing unit in the proportion as their interests may appear in the spacing unit.
- (5) The working interest owners shall reimburse the operator for their proportionate share of the reasonable actual cost of drilling and operating said well, plus a reasonable charge for supervision.
- (6) In the event of any dispute as to such costs the Commission shall determine the proper cost.
- (7) If a lessee owning an interest in the spacing unit elects not to participate in the risk and cost of drilling a well thereon, the owner paying for the nonparticipating lessee's share of the drilling and operation of a well may recover from the nonparticipating lessee a risk penalty for the risk involved in drilling the well. The risk penalty is 200 percent of the nonparticipating lessee's share of the reasonable actual costs of drilling and completing the well and may be recovered out of, and only out of, production from the pooled spacing unit, as provided by NDCC Section 38-08-10, exclusive of any royalty or overriding royalty.
- (8) If an unleased mineral interest owner in the spacing unit refuses a good-faith attempt to execute a lease and elects not to participate in the risk and cost of drilling a well thereon, the owner paying for the nonparticipating mineral interest owner's share of the drilling and operation

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of a well may recover from the nonparticipating mineral interest owner a risk penalty for the risk involved in drilling the well. The risk penalty is 50 percent of the nonparticipating mineral interest owner's share of the reasonable actual costs of drilling and completing the well and may be recovered out of, and only out of, production from the pooled spacing unit, as provided by NDCC Section 38-08-10, exclusive of any royalty.

- (9) In the event the size of the spacing unit pooled herein is modified by the Commission, this order shall terminate as of the date of such order.
- (10) 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 15th day of February, 2008.

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, Marge Rixen, being duly sworn upon oath, depose and say: That on the <u>21st</u> day of <u>February, 2008</u> enclosed in separate envelopes true and correct copies of the attached Order No. <u>11661</u> 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. 9902:

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

JEFF HERMAN
PETRO-HUNT LLC
PO BOX 935
BISMARCK ND 58502-0935

Marge Rixen

Oil & Gas Division

On this <u>21st</u> day of <u>February, 2008</u> before me personally appeared Marge Rixen 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.

EVIE ROBERSON
Notary Public
State of North Dakota
My Commission Expires Nov. 3, 2010

Notary Public

State of North Dakota, County of Burleigh

PETRO-HUNT, LLC

Willard Johnson Trust 24B-2-1H

T160N-R99W Sec. 24: All Divide Co., ND

Leasehold Ownership

Tract 2
PHLLC – 50% Implicit O&G – 50% 12-05-2010
12 00 2010
Tract 4
PHLLC 50% Implicit O&G 50%
8-18-09 & 11-02-09

Unit Working Interest

Petro-Hunt, LLC	49.921875%
Implicit Oil & Gas	49.921875%
Centennial/Steel (Non-Consent)	.156250%

Total

INDUSTRIAL COMMISSION STATE OF NORTH DAKOTA

100.000000% DATE //K/08 CASE NO. 990 Z Introduced By Patro Hunt

Exhibit

Identified By

Petro-Hunt, L.L.C. NDIC Case No. 9902 January 16, 2008 Exhibit No. 1

Petro-Hunt, L.L.C.

400 East Broadway, Suite 514 P.O. Box 935

Bismarck, ND 58502-0935

Phone (701) 258-1557 Fax (701) 258-1562

Gary Steele 10607 Cimarron Street Firestone, CO 80506 (720) 494-1390

April 20, 2007

INDUSTRIAL COMMISSION STATE OF NORTH DAKOTA

DATE 1/16/08 CASE NO. 9907
Introduced By Petro-Hunt
Exhibit 2
Identified By Herman

RE: Oil & Gas Lease Well Proposal Willard Johnson Trust

24B-2-1H

T160N-R99W Sec. 24: All Divide Co... ND

Dear Mr. Steele:

According to the title opinion for this section, you own an undivided 5.00 net mineral acres in Sec. 24: NW (.5 acres), SW (.5 acre) & Sec. 23: SE (.5 acres). As initially proposed, PHLLC will agreed to lease your minerals in all 3 tracts for a total payment of \$1000.00 (\$333.33 per net acre), 1/6 royalty, and 3 years. We will still honor this proposal and be happy to send you the appropriate paperwork necessary to secure the lease.

If you don't want to lease, you could also elect to participate in the well. PHLLC proposes to drill the Willard Johnson Trust 24B-2-1H as a Sanish formation horizontal well with a single section spacing unit described as Sec. 24: All, Township 160 North, Range 99 West, Divide County, North Dakota. The surface location of the well will be 300' FNL and 300' FWL of Section 24. The well will be drilled using one horizontal lateral into the Sanish formation. The bottom hole location for the first lateral will be 550' FSL, and 550' FEL of Sec. 24, a total lateral length of about 5,500'.

According to record title you own a 1 net acre interest in lands described as Sec. 24: NW, SW. Your interest in the well unit is .15625%.

As an owner of interest in this spacing unit, you have the option to participate in this well. Enclosed is a cost estimate (AFE) for the drilling (\$1,945,500) and completion (\$806,200) of this well which totals \$2,751,700 gross. If you elect to participate, please provide this office with a signed AFE along with a check (\$4,300.00) for your share of the AFE drilling and completion costs. In the event you participate, I will forward a Joint Operating Agreement for your review and approval. A properly made election shall constitute receipt of an executed AFE and check for your share of the drilling and completion costs, within 30 days.

If we are unable to come to mutually acceptable terms on a lease agreement or if you fail to make an election concerning participation prior to commencing operations on the well, your mineral interest may be force pooled under the applicable statutes of the state of North Dakota. In that event, your mineral interest will be subject to the provisions provided by Section 38-08-08 Sub 3 of the North Dakota Century Code as promulgated by the Oil & Gas Division of the North Dakota Industrial Commission.

Please indicate your participation election in the space below and return one executed copy of this letter to my attention at the address shown above. If your decision is to participate, return the signed AFE and check.

If you have any questions or need additional information, please give me a call.

Sincerely,

	and the state of t
	Drew Combs
	Elect to participate in the Willard Johnson Trust 24B-2-1H
X	_Elect not to participate
	Will agree to lease under one of the options outlined in Par. 1
,	,
ву Ха	ey P. Steele Date May 1, 2007
Gary P. 3	Steele

President of Centennial Resources, Inc.

BEFORE THE INDUSTRIAL COMMISSION

OF THE STATE OF NORTH DAKOTA

In the matter of the application of Petro-Hunt,)	
L.L.C., for an order pooling all interests in a)	
spacing unit for the Burg-Bakken pool described)	APPLICATION
as all of Section 24, Township 160 North, Range)	
99 West, Divide County, North Dakota;)	
authorizing the recovery from each non-)	
participating owner of a risk penalty as provided)	
in Section 38-08-08; and for such other relief as)	
is appropriate.)	

COMES NOW the applicant, Petro-Hunt, L.L.C., and respectfully alleges as follows:

- 1. It is the owner of an interest in the oil and gas leasehold estate underlying all or portions of Section 24, Township 160 North, Range 99 West, Divide County, North Dakota.
- 2. It is the operator of the Willard Johnson Trust 24B-2-1H well which has been drilled and completed on a spacing unit for the Burg-Bakken pool described as all of said Section 24.
- 3. There are separately owned tracts and separately owned interests within tracts within said lands.
 - 4. There is no voluntary pooling agreement covering all interest within said lands.
- 5. Certain of the mineral owners or lessees within said spacing unit have elected not to lease or otherwise participate in the risk and cost of drilling said well, and applicant requests that it be allowed to recover the risk penalty from those owners in accordance with Section 38-08 of the North Dakota Century Code.
- 6. Applicant requests that it be allowed to present testimony by telephone pursuant to Section 43-02-03-88.2 of the North Dakota Administrative Code.

WHEREFORE, applicant respectfully requests that this matter be set for hearing at the regularly scheduled hearings in January, 2008 and that thereafter the Commission enter its order granting the relief requested.

Dated this 17th day of December, 2007.

PETRO-HUNT, L.L.C.

FLECK, MATHER & STRUTZ, LTD. Attorneys for the Applicant Suite 600, 400 East Broadway P.O. Box 2798 Bismarck, ND 58502

By:

JOHN W. MORRISON

STATE OF NORTH DAKOTA

) ss.

COUNTY OF BURLEIGH

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

JOHN W. MORRISON

Subscribed and sworn to before me this 17th day of December, 2007.

(SEAL)

Michelle Wenger, Notary Public Burleigh County, North Dakota My Commission Expires: 10/30/09

State of North Dakota My Commission Expires Oct. 30, 2009

WILLIAM MENGER

Notary Public



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. Wednesday, January 16, 2008, 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 Thursday, January 03, 2008.

STATE OF NORTH DAKOTA TO:

Case No. 9873: Application of Continental Resources, Inc. for an order extending the field boundaries and amending the field rules for the Stoneview-Bakken Pool to create and establish six 1280-acre spacing units comprised of Sections 5 and 8; Sections 18 and 19; Sections 20 and 29; Sections 21 and 28; Sections 26 and 35; and Sections 27 and 34, T.160N., R.95W., Divide County, ND, authorizing the drilling of one horizontal well on each spacing unit and for such other relief as is appropriate.

Case No. 9874: Application of Continental Resources, Inc. for an order amending the field rules for the Stoneview-Bakken Pool to create and establish a 1280-acre spacing unit comprised of Sections 3 and 10, T.160N., R.95W., Divide County, ND, or in the alternative, a 640-acre spacing unit comprised only of said Section 3, authorizing the drilling of one horizontal well on said spacing unit and/or such other and further relief as appropriate.

Case No. 9875: Application of Continental Resources, Inc. for an order extending the field boundaries and amending the field rules for the Stoneview-Winnipegosis Pool to create and establish a 640-acre spacing unit comprised of Section 3, T.160N., R.95W., Divide County, ND, authorizing the drilling of one horizontal well on said spacing unit and for such other relief as is appropriate.

Case No. 9876: Application of Continental Resources, Inc. for an order extending the field boundaries and amending the field rules for the Sadler-Bakken Pool to create and establish three 1280-acre spacing units comprised of Sections 26 and 35; Sections 27 and 34; and Sections 28 and 33; T.161N., R.95W., Divide County, ND, authorizing the drilling of one horizontal well on each spacing unit and for such other relief as is appropriate.

Case No. 9795; (Continued) Proper spacing for the development of the Moraine-Duperow Pool, Divide County, ND, redefine the field limits, and enact such special field rules as may be necessary. Armstrong Operating, Inc.

Case No. 9902: Application of Petro-Hunt, L.L.C. for an order pooling all interests in a spacing unit for the Burg-Bakken Pool, Section 24, T.160N., R.99W., Divide County, ND; authorizing the recovery from each non-participating owner of a risk penalty as provided in NDCC § 38-08-08 and for such other relief as is appropriate.

Signed by, John Hoeven, Governor Chairman, ND Industrial Commission

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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:

TOTAL CHARGE......\$52.44

Steven J. Andrist, Publisher

Subscribed and sworn to before me December 26, 2007

Vonni L. Anderson

Notary Public, State of North Dakota
My Commission Expires August 2, 2011

VONNI L. ANDERSON Notary Public State of North Dakota My Commission Expires Aug. 2, 2011

Signed

BISMALCK Tribune

NOTICE OF HEARING
N.D. INDUSTRIAL COMMISSION
OIL AND GAS DIVISION
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PERSONS WITH DISABILITIES: If at the hearing you need special facilities or assistance, contact the Oil and Gas Division at 701-328-8038 by Thursday, January 03, 2008.
STATE OF NORTH DAKOTA TO:
Case No. 9860-Temporary spading to develop an oil and/or gas pool discovered by the

Cran. No. 2860. Temporary posting to develop an oil and or gas pool discovered by the Heddingson Cell LP HEJACE Natures. SYSDY of Section 17, 1245N. R., 2864. Width, Cells No. 1861. Publication of Heddingson Cell Cells Cells or an order pursuant to NDAC § 43-7023-7881. poolings all increasts in a specing unit for the Soresson of HAC-36, Section 11, 154N. R., 2859. and Section 51, 153N. R., 2859. And Section 11, 153N. R., 2859. And Section 12, 153N. R., 2859. And Section 13, 153N. R., 2859. Application of Headington Cell Cells and Section 13, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cell Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells Cells and Section 14, 153N. R., 2859. Application of Headington Cells Cells and Section 14, 153N. R., 285

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Signed by, John Hoeven, Governor Chairman, ND Industrial Commission 12/28 - 602150

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