

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: HB 1440

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$117,000		\$117,000	
Appropriations			\$117,000		\$117,000	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The measure amends approval for temporarily abandoned status by requiring the biannual permission of the surface owner for a period of time longer than seven years.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This measure requires increased monitoring of wells in the temporarily abandoned status, and requires the Oil & Gas division to create and manage biannual submissions of legal permission slips.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

This measure has no revenue effects.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Expenditures per biennium include \$52,000 for RBDMS Technician to revise and maintain the database (25% of time); and \$65,000 for Administrative Assistant (50% of time) to manage biannual submissions of legal permission slips.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Oil & Gas Division expenditures as mentioned in 3B are general fund expenses, and are not included in the executive budget.

**Name:** Robyn Loumer

**Agency:** Industrial Commission

**Telephone:** 701-328-8011

**Date Prepared:** 01/22/2015

**2015 HOUSE ENERGY AND NATURAL RESOURCES**

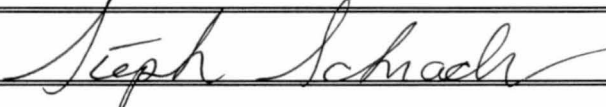
**HB 1440**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee  
Pioneer Room, State Capitol

HB1440  
1/29/2015  
Job # 22852

- Subcommittee  
 Conference Committee

Committee Clerk Signature 

## Explanation or reason for introduction of bill/resolution:

Relating to temporarily abandoned status.

## Minutes:

Attachments

**Chairman Porter** opens hearing.

### **Representative Nelson, district 9**

Written testimony #1

### **Galen Peterson, NW Landowners Association**

Written testimony #2A, B

**Rep. George Keiser:** Is there a record or any wells, if so what are the numbers that were in temporarily abandoned status that came back into operation?

**Peterson:** I'm not aware of any that have come off of temporarily abandoned status and have gone back into production.

## OPPOSITION:

### **Ron Ness: ND Petroleum Board Counsel**

Amendments proposed, written testimony #3

Don't dispute that there are cases, that the prime sponsor has, that should be reviewed and my amendment should address those. However, back in 1999, when oil in a number of representative districts around this table was selling for 3 or 4 dollars a barrel the rest of North Dakotas oil was selling for about 7 dollars a barrel. Virtually, all of the small operators in the northern tier of the state put their wells into temporarily abandoned status. At the time Governor Schafer went to Washington to allow us to put wells on federal lands into temporarily abandoned status. Many of the wells that are in temporarily abandoned status are in units, in those units, operators have plans for them either as injection wells or other purposes and at a time like this in the Bakken many of those operators may be pursuing those Bakken interests. Recognize that there is a very, valuable reason that wells are put

into temporarily abandoned status. What my amendments propose it's a rewrite of the sponsor's intent.

**Lynn Helms, Director Industrial Commission**  
Written testimony #4, Neutral

**Rep. Glen Froseth:** One of the letters that Representative Nelson handed out, it says that before temporarily abandoned status can be extended... it is required that the well be pressure tested again. Are those rules in place now?

**Helms:** Yes, they are.

**Chairman Porter** closes hearing.

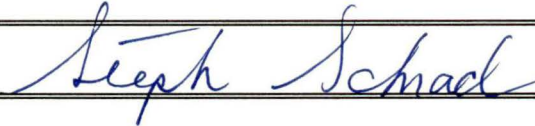
# 2015 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Pioneer Room, State Capitol

HB1440  
2/3/2015  
Job # 23150

- Subcommittee  
 Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to temporarily abandoned status.

### Minutes:

Attachments 1

Rep. Mike Nathe opens hearing.

Rep. Mike Nathe: Reviewing amendment; written testimony #1

Ron Ness Petroleum Counsel  
We oppose this bill.

Rep. Mike Lefor: Galen Peterson mentioned that temporarily abandon should be abandoned, on line 3

Ness: Yes, he's correct.

Lynn Helms industrial Commission  
There is abandoned status, not to be confused with temporarily abandoned status.

Rep. Mike Nathe: Could you send us that time line for well statuses?

Helms: Yes.

Rep. Bob Hunsakor: So, the abandoned wording really is not necessary, because if it is abandoned it eventually will be put into temporarily abandoned status.

Helms: That's right, it cannot stay in abandoned status for more than six months.

Rep. Mike Nathe closes hearing.

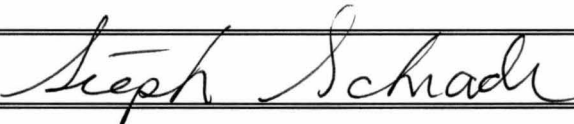
# 2015 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee  
Pioneer Room, State Capitol

HB1440  
2/5/2015  
Job # 23348

Subcommittee  
 Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Relating to temporarily abandoned status.

## Minutes:

Attachments 1

**Meeting Location:** Pioneer Room

**Time meeting called to order:** 4:00 PM

**Members present:** Rep. Mike Nathe, Rep. Bob Hunsakor, Rep. Mike Lefor

**Others present:** N/A

## Topics discussed:

Whether or not to adopt the amendment; **written testimony #1.**

The subcommittee agrees to bring the amendment; written testimony #1, to the full committee to be voted on.

**Rep. Mike Nathe** closes hearing.

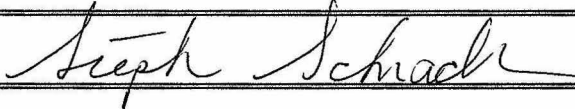
# 2015 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Pioneer Room, State Capitol

HB 1440  
2/6/2015  
Job # 23431

- Subcommittee  
 Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to temporarily abandoned status.

### Minutes:

Attachments 0

Chairman Porter: We have HB 1440 in front of us.

Rep. Mike Nathe: I make a motion to Do Not Pass.

Rep. Dick Anderson: Second.

Vote: Yes 11, No 2, Absent 0

Rep. Mike Nathe: Carrier.



Date: 2/6/15  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB 1440**

House Energy and Natural Resources Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep Nathe Seconded By Rep Anderson

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep Hunskor		✓
Vice Chairman Damschen	✓		Rep Mock		✓
Rep D Anderson	✓		Rep Muscha	✓	
Rep Brabandt	✓				
Rep Devlin	✓				
Rep Froseth	✓				
Rep Hofstad	✓				
Rep Keiser	✓				
Rep Lefor	✓				
Rep Nathe	✓				

Total (Yes) 11 No 2

Absent ∅

Floor Assignment Rep Nathe

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1440: Energy and Natural Resources Committee (Rep. Porter, Chairman)**  
recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1440 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**HB 1440**

Rep. M. Nelson

HB 1440 Temporary Abandoned Status.

#1A

1440  
1/29/15

Chairman Porter, members of the House Energy and Natural Resources Committee, HB 1440 is designed to put a hard stop to the dragging on of uncapped wells that sometimes goes decades.

Let us look first to current law.

NDCC 38-08-04 paragraph 1.

1. The placing of wells in abandoned-well status which have not produced oil or natural gas in paying quantities for one year. A well in abandoned-well status must be promptly returned to production in paying quantities, approved by the commission for temporarily abandoned status, or plugged and reclaimed within six months. If none of the three preceding conditions are met, the industrial commission may require the well to be placed immediately on a single-well bond in an amount equal to the cost of plugging the well and reclaiming the well site. In setting the bond amount, the commission shall use information from recent plugging and reclamation operations. After a well has been in abandoned-well status for one year, the well's equipment, all well-related equipment at the well site, and salable oil at the well site are subject to forfeiture by the commission. If the commission exercises this authority, section 38-08-04.9 applies. After a well has been in abandoned-well status for one year, the single-well bond referred to above, or any other bond covering the well if the single-well bond has not been obtained, is subject to forfeiture by the commission.

I believe the plain reading of the statute really gives an indication that the well is not to just sit there, it is supposed to be producing in paying quantities or it is supposed to be capped. There is the temporary abandoned status to give some flexibility.

Unfortunately, the word temporary has been stretched to mean decades for whatever reason. There hasn't been an approval process, it seems if the company applies, temporary abandoned status is granted year after year. Indeed, it is not unusual to see the company miss the application for awhile and they are not told they must cap it, they are told send in your \$100 and all is forgiven.

This can stretch into the decades and I will show some examples. During this time the landowner is not able to use his land, and the mineral owner is also tied up and cannot use their minerals, in short, it is a waste, and it comes with some hazard of spills or perforations allowing the migration of saltwater or oil between formations.

I include the production from two wells. Complete well files on the two wells I will give to the clerk for the record.

We should look at the fiscal note. It says it will take increased monitoring of the temporary abandoned status. Well, I guess some is more than none, but the fiscal note can be entirely eliminated simply by capping the wells.

I would also note that the idea that it is going to take a half time administrative assistant to manage the permission slips is totally wrong. I doubt there will be 20 permission slips a year filed. I would actually think a couple would be all. It was to provide an out if there is a very unusual situation where the oil company was actually willing to pay the surface owner to have the well remain for two more years. This is very seldom going to happen. I believe there will be some other testimony where people can tell you how likely they believe permission slips would be signed after that many years.

Proposed amendments. The seven years are meant to be total in the life of the well. Not seven years, then pump a bit then seven more. I think that would be clearer if after "seven years" the words "throughout the life of the well" were added

If the committee would so chose in order to reduce the fiscal note, the option of having the landowner sign to permit another two years of temporary abandoned status could be eliminated.

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
DIRECTOR

F.E. Wilborn  
ASSISTANT DIRECTOR

April 9, 1998

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The above captioned well has not produced since November 1987, and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce oil for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

Please submit for approval plug and abandonment procedures or a request for extension of the temporary abandonment status on the enclosed Sundry Notice (Form 4). If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

Enclosure

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Lynn D. Helms  
DIRECTOR

<http://explorer.ndlc.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

January 23, 2003

Mr. Gary Ballantyne  
Great America Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The temporary abandonment (TA) status for the above captioned well expired on July 17, 2001. This status is granted for a specific time period, and must be reapplied for when that time has elapsed. Before the TA status can be extended for a well temporarily abandoned for over 5 years, it is required that the well be pressure tested again. Also, the request must include the reason your company wants the status extended.

At this time please submit a request on the enclosed sundry notice (form 4) for extension of the temporary abandonment status for this well. If you have any questions, feel free to contact our office.

Sincerely

*James Dufty/kl*  
James Dufty  
Field Inspector

JCD/kl

10362

March 19, 2012

NDIC Oil and Gas Division  
600 East Boulevard Ave Dept 405  
Bismarck, ND 58505-0840



Re: Stead #1  
NE NW Sec 5 161N 81W  
Well File #10362

Attn: David McCusker

Mr. McCusker,

The above well has not produced since November 1987. It has a long history of being in abandoned status, then temporary abandoned (TA) status, and now overdue for TA renewal. (TA was last approved February 11, 2009).

Some of the reasons that Great American Royalties have given for needing TA status in the past are:

Possible use for injection or production well in a unit that has never been proposed or planned.

Possible use for SWD for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled, and based on progress toward that, will never be drilled.

And repeatably, no reason at all.

**This well needs to be plugged as required by state statutes and regulations.** Nothing has been done to utilize it since 1987. No payments or compensation are being paid to the surface owner. It is preventing the use of its location for cropland, it is an unnecessary obstacle to farming the land, and it is holding a mineral lease even though no production or royalties are being paid to the mineral owners.

Please acknowledge receipt and place this letter in the well file, #10362.

*This is in regard to the Robert Stead Trust, my dad.*

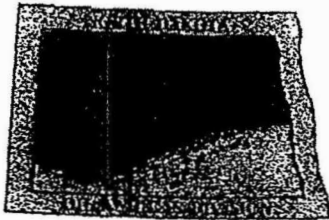
Roberta Halstead  
2091 99<sup>th</sup> St NW  
Westhope, ND 58793  
Surface Owner

*Roberta Halstead*



Attachment 1

10362



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.oilgas.nd.gov

June 26, 2012

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793

RE:    Stead #1  
      NENW Sec. 5, T.161N., R.81W.  
      Bottineau County, North Dakota  
      Wayne Field  
      Well File No. 10362

Dear Mr. Ballantyne:

The temporarily abandoned (TA) status has expired for the above captioned well. At this time place the well back on production or submit for approval a Sundry Notice – Form 4 either detailing plugging procedures or requesting an extension of the TA status. The request to extend the TA status must include:

- The future use of the well.
- The latest inspection date and corresponding pressure reading at the surface.
- The \$100 fee.

The current UIC policy for salt water disposal for new permits is that the surface casing be set at least fifty feet into the Pierre Shale. Future use as a salt water disposal well cannot be considered since the surface casing in this well was not set at least fifty feet into the Pierre Shale.

The previous mechanical integrity tests (MITs) were pressured up to pressures less than 1000 psi. Current TA policy is that all wells be pressured up to 1000 psi. The next MIT will be required to pressure up to 1000 psi.

Order Number 19172 signed on March 19, 2012 authorized an injectivity test through the Bronderslev #2 (9839) well located adjacent to this well. The matter will be reviewed by the Commission at the regularly scheduled hearings in November 2012. The status of this well will be reviewed after the hearings in November 2012.

If you have any questions, do not hesitate to contact me.

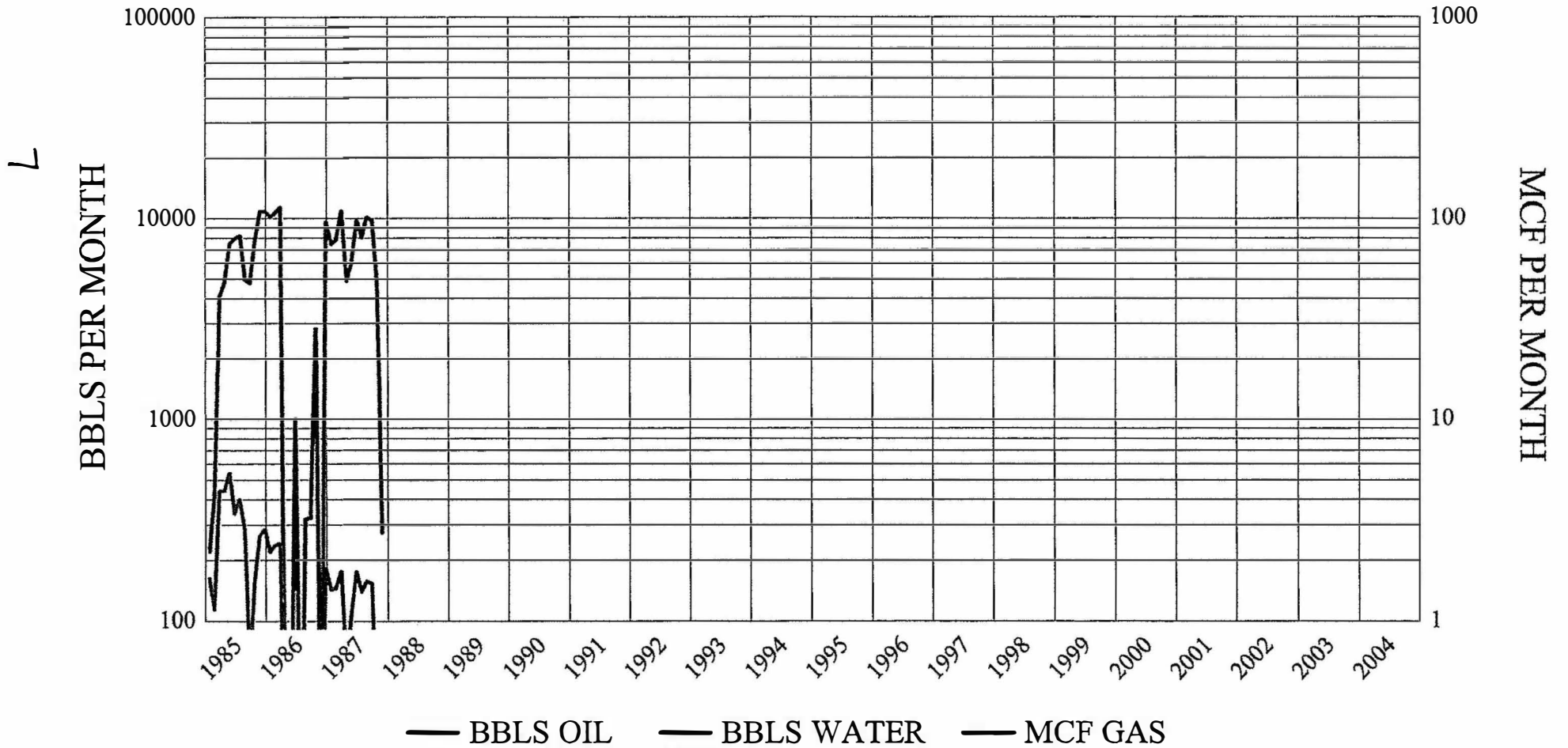
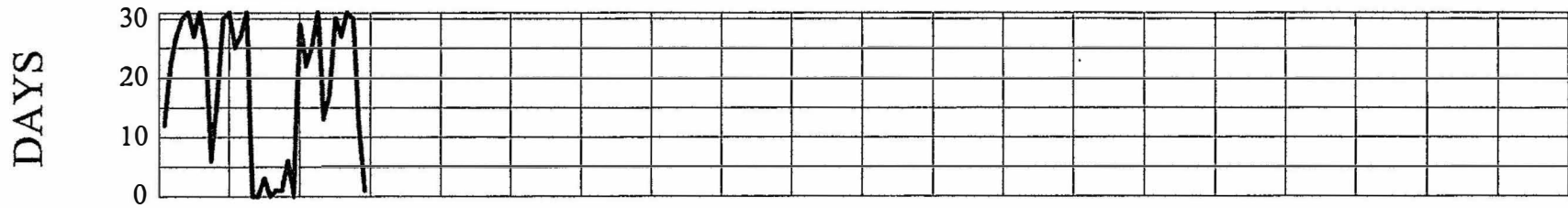
Sincerely,

David J. McCusker  
Petroleum Engineer

Le

#10362 33-009-01622-00-00 NENW 5-T161N-R81W  
STEAD 1  
GREAT AMERICAN ROYALTIES, INC.  
WAYNE-MADISON

CUM OIL = 5695  
CUM WATER = 197541  
CUM GAS = 0



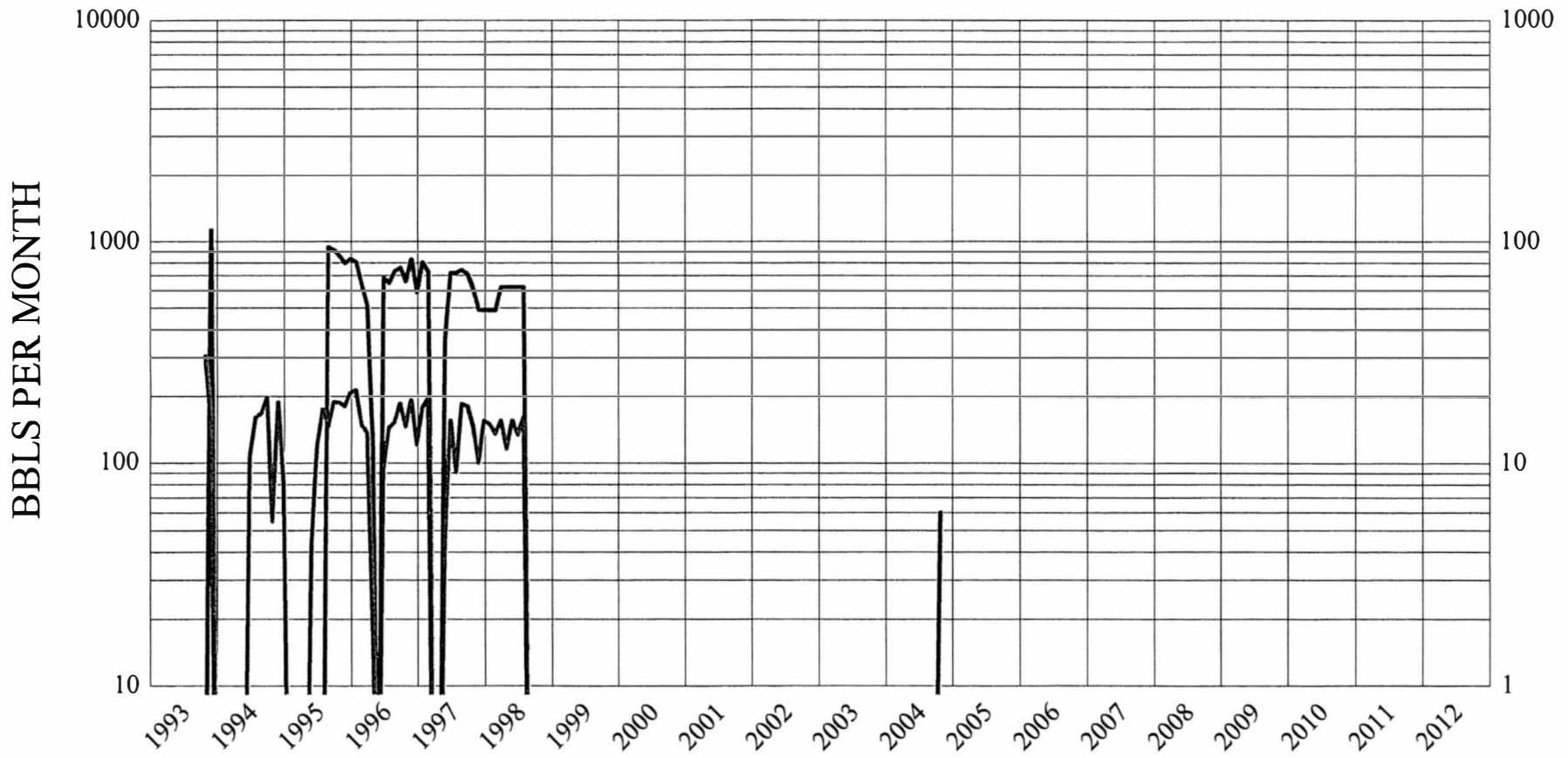
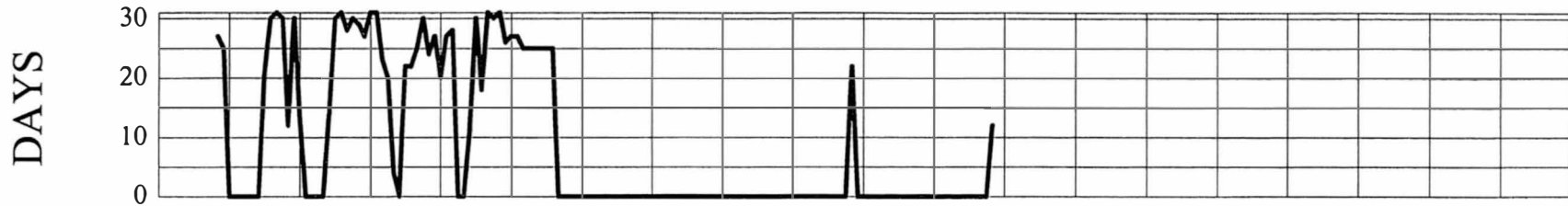
#13565 33-009-01946-00-00 SESE 4-T160N-R78W

NERMOE 1-4

PETRO HARVESTER OPERATING COMPANY, LLC

SOUTHWEST STARBUCK-SPEARFISH

CUM OIL = 6635  
CUM WATER = 22907  
CUM GAS = 0



— BBL OIL — BBL WATER — MCF GAS

8

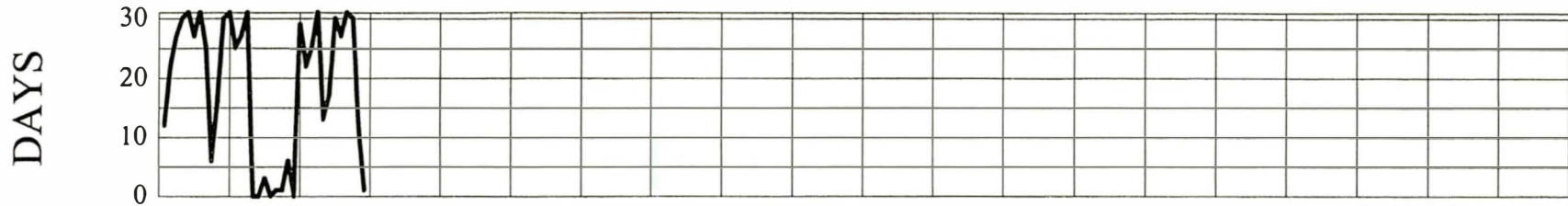
#10362 33-009-01622-00-00 NENW 5-T161N-R81W

STEAD 1

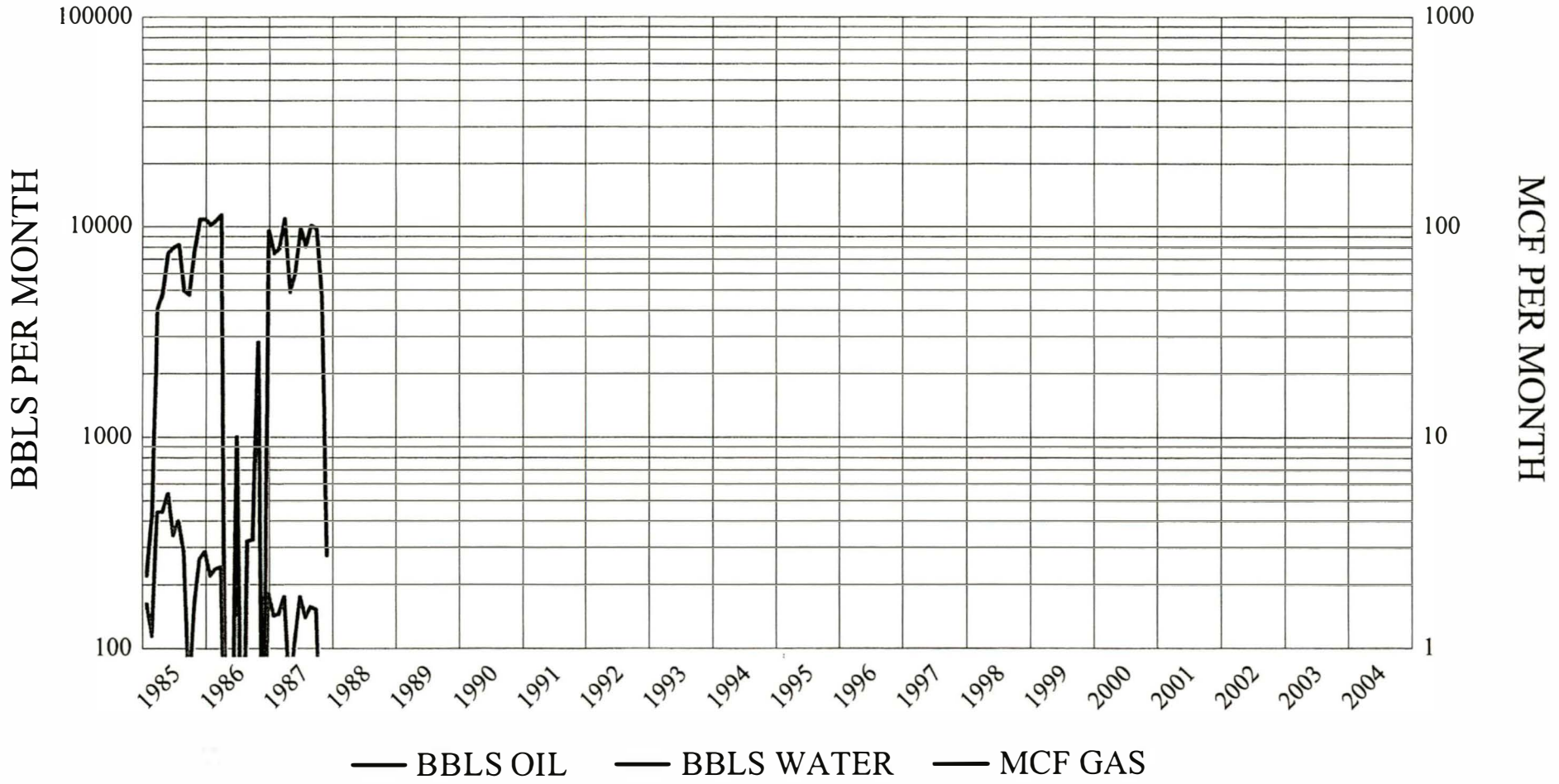
GREAT AMERICAN ROYALTIES, INC.

WAYNE-MADISON

CUM OIL = 5695  
CUM WATER = 197541  
CUM GAS = 0



b



Rep. M. Nelson

1B

1440  
1/29/15



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (09-2008)



Well File No. **13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND ONE COPY.

Notice of Intent Approximate Start Date  
**September 1, 2014**

Report of Work Done Date Work Completed

Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.  
Approximate Start Date

Drilling Prognosis  Spill Report

Redrilling or Repair  Shooting

Casing or Liner  Acidizing

Plug Well  Fracture Treatment

Supplemental History  Change Production Method

Temporarily Abandon  Reclamation

Other **MIT & Request Temporary Abandoned Status**

Well Name and Number  
**Nermoe 1-4**

Footages	Qtr-Qtr	Section	Township	Range
<b>660 F S L    660 F E L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>
Field	Pool	County		
<b>Starbuck, SW</b>	<b>Madison</b>	<b>Bottineau</b>		

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s)

Address City State Zip Code

**DETAILS OF WORK**

See attached procedure for TA. Petro Harvester may utilize the well for water supply for the proposed SW Starbuck waterflood. A decision regarding the utilization of the well will be made by July 31, 2015. We will inspected at least annually for the presence of pressure leakage at the surface. The inspection date and pressure reading will be reported on the TA extension if one is requested. Any pressure or leakage will be reported immediately.

If the SW Starbuck field is waterflooded, the CIBP proposed to be set at +/- 3,200' will be drilled up and the producing perforations squeezed prior to permanent plugging and abandonment.

Company	Telephone Number
<b>Petro Harvester Operating Co., LLC</b>	<b>(214) 618-7600</b>
Address	
<b>5160 Tennyson Parkway, Suite 3000-E</b>	
City	State
<b>Plano</b>	<b>TX</b>
Signature	Zip Code
<i>[Signature]</i>	<b>75024</b>
Printed Name	Date
<b>Rikie Herzberger</b>	<b>July 29, 2014</b>
Title	Email Address
<b>Engineering Tech</b>	<b>rikie.herzberger@petroharvester.com</b>

FOR STATE USE ONLY

Received  Approved

Date *July 30, 2014*

By *[Signature]*

Title **PETROLEUM ENGINEER**



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (09-2008)

Well File No.  
**13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND ONE COPY

<input checked="" type="checkbox"/> Notice of Intent	Approximate Start Date <b>September 1, 2014</b>	<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Report of Work Done	Date Work Completed	<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NOCC Section 57-51.1-03.	Approximate Start Date	<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
		<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
		<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
		<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
		<input checked="" type="checkbox"/> Other	<b>MIT &amp; Request Temporary Abandoned Status</b>

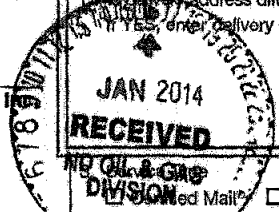
Well Name and Number <b>Nermoe 1-4</b>					
Footages		Qtr-Qtr	Section	Township	Range
<b>660 F S L</b>	<b>660 F E L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>
Field <b>Starbuck, SW</b>		Pool <b>Madison</b>	County <b>Bottineau</b>		

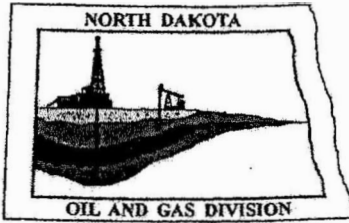
24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

*Aug 20-2*

1. Notify NDIC Field Inspector at least 24 hours prior to performing work.
2. MIRU well service rig.
3. POOH, laying down rods and racking back tubing.
4. PU bit and scrapper and RIH to PBTD.
5. Roll the well with heavy water.
6. POOH w/ bit, scrapper and tubing.
7. PU and RIH w/ test packer, tubing to +/- 3,200'. Set packer and test annulus to 1500 psig.
8. POOH w/ tubing and test packer.
9. RU Wireline and set CIBP @ +/- 3,200'.
10. Place cement on top of the CIBP (5sx cmt lf dump bailed, 25 sx cmt if spotted through tubing).
11. Perform MIT witnessed by NDIC.
12. TA well.

DM #13565 #10845

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature  <input checked="" type="checkbox"/> <i>Vanessa Usher</i>      <input type="checkbox"/> Agent  <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)      C. Date of Delivery  <i>Vanessa Usher</i>      <i>1/13/14</i></p>
<p>1. Article Addressed to:</p> <p><b>Petro Harvester Operating Company, Inc</b>  <b>Attn: Rikie Herzberger</b>  <b>5160 Tennyson Parkway</b>  <b>Ste. 3000 E</b>  <b>Plano, TX 75024</b></p>	<p>Delivery address different from item 1? <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No  <small>If YES, enter delivery address below:</small></p> <div style="text-align: center;">  </div> <p> <input type="checkbox"/> Registered Mail      <input type="checkbox"/> Priority Mail Express™  <input type="checkbox"/> Insured Mail      <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Collect on Delivery </p>
<p>2. Article Number  <small>(Transfer from service label)</small></p>	<p>4. Restricted Delivery? (Extra Fee)      <input type="checkbox"/> Yes</p>
<p>7013 2630 0001 2316 5268</p>	
<p>PS Form 3811, July 2013      Domestic Return Receipt</p>	



# Oil and Gas Division

13565

Lynn D. Helms - Director

Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

[www.dmr.nd.gov/oilgas/](http://www.dmr.nd.gov/oilgas/)

January 21, 2014

Tim S. Cashon  
Petro Harvester Operating Company, LLC  
5160 Tennyson Parkway, Suite 3000E  
Plano, TX 75024

RE:

2 REPLACEMENT SINGLE WELL BOND NOS. RLB0015429 & RLB0015430  
RLI INSURANCE COMPANY

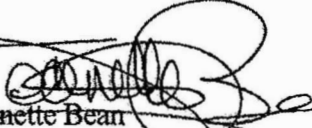
Dear: Tim Cashon

This office is in receipt of two replacement single well bonds, Bond No RLB0015429 & RLB0015430 with RLI Insurance Company.

This letter will verify termination of Bond No. BD229253 and the placement of Bond Nos. RLB0015429 & RLB0015430 effective 01-21-2014.

If you should have any questions, please feel free to contact this office.

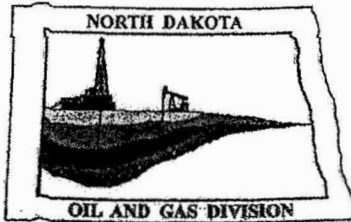
Sincerely,

  
Jeannette Bean  
Administrative Assistant

cc: Robbie Duxbury  
RLI Insurance Company  
8 Greenway Plaza, Suite 400  
Houston, TX 77046

4





# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov/oilgas/

#13565

December 27, 2013

Petro Harvester Operating Company, Inc.  
Attn: Rikie Herzberger  
5160 Tennyson Parkway  
Ste. 3000 E  
Plano, TX 75024

RE:      Nermoe 1-4  
            NDF # 13565

Christenson 1  
NDF # 10845

Dear Ms. Herzberger :

Pursuant to section 38-08-04, paragraph 1, part (!) of the North Dakota Century Code, the Commission placed the above captioned wells on abandoned well status.

According to our files, these wells are not in compliance with said section. **You are hereby required to provide a separate bond for each of these wells in the amount of \$100,000 or equal to the cost of plugging and reclaiming the well, whichever is greater.**

If the bond has not been provided within twenty (20) days of receipt of this letter, the Commission will take further enforcement action which may include filing of an administrative complaint, assessment of fines, forfeiture of your current bond, forfeiture of the well equipment and any salable oil, and/or any other action that may be available to the Commission.

Should you have any questions regarding this matter, please contact me at 701-328-8020.

Sincerely,



David C. Hvinden  
Field Supervisor

CERTIFIED MAIL / 7013 2630 0001 2316 5268

5

# 13565

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Petro Harvester Operating  
 Attention: Kelly Wade  
 5160 Tennyson Parkway  
 Plano, TX 75024**

2. Article Number

*(Transfer from service label)*

7005 0390 0001 4590 5790

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature MAZ JUL 2013 PM 1 L  
 Agent  
 Addressee

B. Received by (Printed Name) Megan Speed C. Date of Delivery 7/18/13

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type

- Certified Mail  Express Mail
- Registered  Return Receipt for Merchandise
- Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.oilgas.nd.gov

#13565

June 28, 2013

Petro Harvester Operating  
Attention: Kelly Wade  
5160 Tennyson Parkway  
Plano, TX 75024

RE:            Nermoe #1-4  
                 SESE 4-160N-78W  
                 Bottineau County  
                 Well File# 13565

Dear Mr. Wade:

Our records indicate that the above referenced well has not produced **since October 2002**, and is in violation of Section **43-02-03-55** of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce a well for a period of one year constitutes abandonment of the well. Any such well must be plugged and the site reclaimed.

Please place this well back into production or submit for approval plug and abandonment procedures. If the well is to be utilized in the future, a temporarily abandoned status may be granted, provided it can be demonstrated that the well is to be used for purposes related to the production of oil and gas. The temporarily abandoned status is for one year, with extensions upon application. Before a well is granted a temporarily abandoned status, the perforations must be isolated, the integrity of the casing proven, and its casing sealed at the surface, all in a manner approved by the director. A state field inspector must witness the mechanical integrity test. If you have any questions, feel free to contact our office.

If the well is not plugged, returned to production in paying quantities, or granted temporary abandoned status by **October 1, 2013**, the Industrial Commission will require the well to be placed immediately on a single-well bond in an amount equal to the estimated cost of plugging the well and reclaiming the well site. The Commission may exercise further measures which may include assessment of fines, confiscation of well equipment, forfeiture of bonds, and other such action available to the Commission.

Sincerely,

Scott Ladner  
Field Inspector

SLL/LAP  
CERTIFIED MAIL/ 7005 0390 0001 4590 5790

7



# AUTHORIZATION TO PURCHASE AND TRANSPORT OIL FROM LEASE - FORM 8

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5698 (03-2000)

Well File No 13565
NDIC CTB No. 404141

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM  
PLEASE SUBMIT THE ORIGINAL AND FOUR COPIES

Reset	View	Print
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Well Name and Number NERMOE 1-4	Qtr-Qtr SESE	Section 4	Township 160N	Range 78W	County BOTTINEAU
Operator Petro Harvester Operating, LLC	Telephone Number (214) 618-7610	Field SW STARBUCK SPEARFISH UNIT			
Address 2600 Network Boulevard, Suite 400	City Frisco	State TX	Zip Code 75034		

Name of First Purchaser Plains Marketing North Dakota	Telephone Number (713) 646-4100	% Purchased 100	Date Effective 1/28/2011
Principal Place of Business P.O. Box 4648	City Houston	State TX	Zip Code 77210
Field Address	City	State	Zip Code
Name of Transporter Diamond B Trucking, Inc.	Telephone Number (701) 245-6423	% Transported 100	Date Effective 1/28/2011
Address P. O. Box 445	City Westhope	State ND	Zip Code 58793

The above named producer authorizes the above named purchaser to purchase the percentage of oil stated above which is produced from the lease designated above until further notice. The oil will be transported by the above named transporter.

Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective

Comments

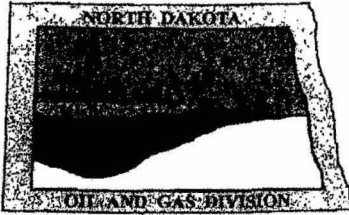
I hereby swear or affirm that the information provided is true, complete and correct as determined from all available records. Date 1/28/2011

Signature 	Printed Name Terrell A. Dobkins	Title Vice-President
---------------	------------------------------------	-------------------------

Above Signature Witnessed By	Witness Printed Name	Witness Title
Signature 	NANCY REEF	Office manager

FOR STATE USE ONLY

Date Approved 24 2011
By 
Title Oil & Gas Production Analyst



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

**Department of Mineral Resources**

Lynn D. Helms - Director

**North Dakota Industrial Commission**

www.oilgas.nd.gov

13565

March 15, 2011

Mr. Terrell A. Dobkins  
Petro Harvester Operating Company, LLC  
1401 17<sup>th</sup> St. Ste 1000  
Denver, CO 80202

**RE: CHANGE OF OPERATOR FROM SAGEBRUSH RESOURCES, LLC  
TO PETRO HARVESTER OPERATING COMPANY, LLC  
12 WELLS – SW STARBUCK-SPEARFISH UNIT**

Dear Mr. Terrell A. Dobkins:

Please find enclosed a copy of the approved Form 15, Notice of Transfer of Oil and Gas Wells, in regard to the above-referenced matter. This transfer has now been approved and subject wells are now covered by Bond No. RLB0013648, RLI Insurance Company as Surety.

If you should have any questions, please feel free to contact this office.

Sincerely,

Evie Roberson  
Administrative Assistant

Enclosure

cc: Mr. Robert C. Armstrong  
Sagebrush Resources, LLC  
9137 S Ridgeline Blvd., Ste 270  
Highland Ranch, CO 80129

9



# NOTICE OF TRANSFER OF OIL AND GAS WELLS

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5762 (03-2000)



12

FOR STATE USE ONLY

NDIC Bond Number

13565

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM. PLEASE SUBMIT THE ORIGINAL AND SIX COPIES.  
 THIS NOTICE ALONG WITH A FEE OF \$25.00 PER WELL SHALL BE FILED AT LEAST THIRTY DAYS BEFORE THE CLOSING DATE OF TRANSFER.

### TRANSFERRING OPERATOR

Name of Operator Representative <b>Robert C. Armstrong</b>			
Operator Transferring Oil and/or Gas Wells <b>Sagebrush Resources, LLC</b>			Telephone Number <b>(720) 881-5940</b>
Address <b>9137 S Ridgellne Blvd, Suite 270</b>	City <b>Highlands Ranch</b>	State <b>CO</b>	Zip Code <b>80129</b>
I, the above named representative, acknowledge the transfer of the oil and/or gas wells named below for the purpose of ownership and/or operation to the company named below.			
Signature <i>Robert C. Armstrong</i>	Title (Must be an officer or power of attorney must be attached) <b>CEO</b>		Date <b>January 28, 2011</b>

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
	<b>See Attached</b>		<b>January 28, 2011</b>

### RECEIVING OPERATOR

Name of Operator Representative <b>Terrell A. Dobkins</b>			
Operator Receiving Oil and/or Gas Wells <b>Petro Harvester Operating, LLC</b>			Telephone Number <b>(214) 618-7610</b>
Address <b>2600 Network Boulevard, Suite 400</b>	City <b>Frisco</b>	State <b>TX</b>	Zip Code <b>75034</b>
I, the above named representative, have read the foregoing statement and accept such transfer, also the responsibility of ownership and/or operation of said well or wells, under the said company bond, said bond being tendered to or on file with the Industrial Commission of North Dakota.			
Signature <i>Terrell A. Dobkins</i>	Title (Must be an officer or power of attorney must be attached) <b>Vice-President</b>		Date <b>January 28, 2011</b>

### SURETY COMPANY

Surety <b>RLS Insurance Company</b>		Telephone Number <b>(713) 961-1300</b>	Amount of Bond <b>\$ 100,000</b> <sup>200,000</sup>
Address <b>8 Greenway Plaza, Suite 400</b>	City <b>Houston</b>	State <b>TX</b>	Zip Code <b>77046</b>
		Bond Number <b>RLB0013648</b>	

The above named SURETY agrees that such bond shall extend to compliance with Chapter 38-08 of North Dakota Century Code and amendments and the rules and regulations of the Industrial Commission of North Dakota prescribed to govern the production of oil and gas on government and private lands within the State of North Dakota, in relation to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased because of such extension.

Signature <i>Greg E. Chilson</i>	Title (Must be an officer or power of attorney must be attached) <b>Attorney-in-Fact</b>	Date <b>1/28/11</b>
-------------------------------------	---	------------------------

Printed Name <b>Greg E. Chilson</b>
--

FOR STATE USE ONLY

Date Approved <b>March 15, 2011</b>
By <i>Bruce E. Dicks</i>
Title <b>Assistant Director</b>

File No	Well Name	QC	Section	Township	Range
4141	M. SOLBERG 1	SWNE	9	T160N	R78W
4453	KAEDING 1	NENE	8	T160N	R78W
8308	ROPER 1	NESE	6	T160N	R78W
10322	LERVIK 1	SWSW	5	T160N	R78W
10794	GOODMAN-ROMSOS 1	SWSE	5	T160N	R78W
10845	CHRISTENSON 1	NENW	8	T160N	R78W
11195	LERVIK 2-5	SESW	5	T160N	R78W
11779	BRANDT-GOODMAN 1-9	SENW	9	T160N	R78W
11988	BRANDT-NERMoe 2-9	NENW	9	T160N	R78W
12154	GOODMAN 3-9	NWNW	9	T160N	R78W
13565	NERMoe 1-4	SESE	4	T160N	R78W
14510	SOLBERG 2-9	NWNE	9	T160N	R78W



# SUNDRY NOTICES AND REPORTS ON WELLS - FORM 26

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (09-2006)



Well File No. **13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND ONE COPY.

Notice of Intent Approximate Start Date  
**November 1, 2010**

Report of Work Done Date Work Completed

Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.  
Approximate Start Date

Drilling Prognosis  Spill Report

Redrilling or Repair  Shooting

Casing or Liner  Acidizing

Plug Well  Fracture Treatment

Supplemental History  Change Production Method

Temporarily Abandon  Reclamation

Other Convert well to water source well

Well Name and Number  
**Nermoe 1-4**

Footages <b>660 F S L</b>	<b>660 F E L</b>	Qtr-Qtr <b>SESE</b>	Section <b>4</b>	Township <b>160 N</b>	Range <b>78 W</b>
Field <b>Southwest Starbuck</b>	Pool <b>Dakota</b> <del>Madison</del>	County <b>Bottineau</b>			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s)  
**Ham's Well Service**

Address <b>Highway 83 South</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>
------------------------------------	-------------------------	--------------------	--------------------------

### DETAILS OF WORK

1. Notify state inspector 24 hrs in advance of RU.
2. MIRU and TOOH w/ all production equipment.
3. RIH w/ bit & scraper to PBTD. Roll hole w/ 10# production water.
5. RU WL & run CBL, GR, CCL from PBTD to surface. Dakota top @ ~2,131 ft.
6. Set 5-1/2" CIBP @ ~3,209 ft. and dump ball 5 sx cmt on top
7. Set second Set 5-1/2" CIBP @ ~2,365 ft. and dump bail 5 sx cmt on top
8. If inadequate cmt above Dakota top, perf squeeze holes at 4 JSPF @ ~2,057 ft, 3-1/2" gun, 12 gm charges
9. With 2-7/8" work string & cmt retainer at ~25 ft above squeeze holes, cmt squeeze w/ 100 sx cmt
10. Wait on cmt and drill out as necessary
11. RU WL & run second CBL, GR, CCL from new PBTD to new TOC
12. Assuming satisfactory CBL, pressure test casing to 1,000 psig *Have NDIC Field Inspector witness test.*
13. Assuming satisfactory press. test, perf Dakota 2132-2146, 2157-2162, 2166-2170, & 2200-2224 w/ 4 JSPF, 3-1/2" gun, 23 gm charges
14. If Dakota free flows water up casing, TIH w/ SN and 1 jt. 2-7/8" tubing.
15. If Dakota does not free flow, TIH with 2-7/8" tbg, TAC, pump & rods w/ EOT @ ~2,100 ft. RDMO.
16. *Submit Fm 4 summarizing actual procedure, fluid level, and state-certified lab water analysis.*

Company <b>Sagebrush Resources, LLC</b>	Telephone Number <b>720.881.6675</b>
Address <b>9137 S Ridgeline Blvd, Suite 270</b>	
City <b>Highlands Ranch</b>	State <b>CO</b>
	Zip Code <b>80129</b>
Signature 	Printed Name <b>Alan Trujillo</b>
Title <b>Operations Manager</b>	Date <b>September 27, 2010</b>
Email Address <b>atrujillo@sbroil.com</b>	

FOR STATE USE ONLY	
Received	<input checked="" type="checkbox"/> Approved <i>Amendments</i>
Date	<b>9/29/10</b>
By	
Title	<b>UNDERGROUND INJECTION SUPERVISOR</b>





# SUNDRY NOTICES ) REPORTS ON WELLS - FORM 4

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (09-2006)

Well File No.  
**13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND ONE COPY.

<input checked="" type="checkbox"/> Notice of Intent	Approximate Start Date <b>March 1, 2009</b>
<input type="checkbox"/> Report of Work Done	Date Work Completed
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.	Approximate Start Date

<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
<input checked="" type="checkbox"/> Other	<b>Convert well to water source well</b>

Well Name and Number <b>Nermoe 1-4</b>					
Footages	Qtr-Qtr	Section	Township	Range	
<b>660 F S L</b>	<b>660 F E L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>
Field	Pool	County			
<b>Southwest Starbuck</b>	<b>Madison</b>	<b>Bottineau</b>			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s) <b>Ham's Well Service</b>			
Address	City	State	Zip Code
<b>Highway 83 South</b>	<b>Westhope</b>	<b>ND</b>	<b>58793</b>

### DETAILS OF WORK

1. Notify state inspector 24 hrs in advance of RU.
  2. MIRU and TOOH w/ all production equipment.
  3. RIH w/ bit & scraper to PBTD. Roll hole w/ 10# production water.
  5. RU WL & run CBL, GR, CCL from PBTD to surface. Dakota top @ ~2,131 ft. *\*Notify NDIC if CBL does not confirm isolation before proceeding*
  6. Set 5-1/2" CIBP @ ~3,209 ft. and dump bail 5 sx cmt on top
  7. Set second Set 5-1/2" CIBP @ ~2,365 ft. and dump bail 5 sx cmt on top
  8. If inadequate cmt above Dakota top, perf squeeze holes at 4 JSPF @ ~2,057 ft, 3-1/2" gun, 12 gm charges
  9. With 2-7/8" work string & cmt retainer at ~25 ft above squeeze holes, cmt squeeze w/ 100 sx cmt
  10. Wait on cmt and drill out as necessary
  11. RU WL & run second CBL, GR, CCL from new PBTD to new TOC
  12. Assuming satisfactory CBL, pressure test casing to 1,000 psig *\*Have state Inspector witness test.*
  13. Assuming satisfactory press. test, perf Dakota 2132-2146, 2157-2162, 2166-2170, & 2200-2224 w/ 4 JSPF, 3-1/2" gun, 23 gm charges
  14. If Dakota free flows water up casing, TIH w/ SN and 1 jt. 2-7/8" tubing.
  15. If Dakota does not free flow, TIH with 2-7/8" tbg, TAC, pump & rods w/ EOT @ ~2,100 ft. RDMO.
- Submit Form 4 summarizing actual procedure, fluid level and State-Certified lab water analysis*

Company <b>Sagebrush Resources, LLC</b>		Telephone Number <b>720.881.6675</b>	
Address <b>9137 S Ridgeline Blvd, Suite 270</b>			
City	State	Zip Code	
<b>Highlands Ranch</b>	<b>CO</b>	<b>80129</b>	
Signature 	Printed Name <b>Alan Trujillo</b>		
Title <b>Operations Manager</b>	Date <b>January 20, 2009</b>		
Email Address <b>atrujillo@sbroil.com</b>			

FOR STATE USE ONLY	
<input type="checkbox"/> Received	<input checked="" type="checkbox"/> Approved
Date	<b>7/7/09</b>
By	
Title	<b>UNDERGROUND INJECTION SUPERVISOR</b>

(orig) 13



**STATE OF NORTH DAKOTA**  
**CONDITIONAL WATER PERMIT NO. 06080**

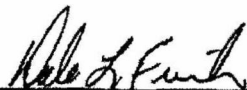
This conditional water permit authorizes permittee to construct the necessary diversion facilities and to appropriate the water specified below.

1. Name of Applicant: **SAGEBRUSH RESOURCES, LLC**  
Mailing Address: **9137 S. RIDGELINE BLVD.  
SUITE 270  
HIGHLANDS RANCH, CO 80129**
  
2. Priority Date: **March 3, 2009**
  
3. Nature of use: **Industrial**
  
4. Source of Water Supply: **Ground Water**  
Aquifer: **Dakota Group**
  
5. Point of Diversion:  
**SE1/4 of Section 04, Township 160 N., Range 078 W., Bottineau County**
  
6. Amount of water authorized, rate at which it may be diverted from the point of diversion, and period of use:  

<b>Annual Use (Ac-Ft)</b>	<b>Rate (gpm)</b>
<b>57.00</b>	<b>35 from Jan 1 to Dec 31 inclusive</b>
  
7. Conditions, limitations, restrictions, and terms of permit: **See Attachment A**
  
8. Water shall be beneficially used on or before: **July 1, 2012**

A perfected permit will be issued after the facilities have been properly constructed and inspected. A water right accrues upon placing the water to beneficial use, as authorized herein.

SEAL

  
\_\_\_\_\_  
Dale L. Frink  
State Engineer

Date: June 17, 2009

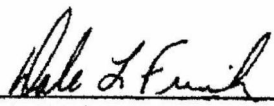
**STATE OF NORTH DAKOTA**

**CONDITIONAL WATER PERMIT NO. 06080**

**Attachment A - Conditions, Limitations, and Restrictions:**

- 1) The well shall be placed in such a location, constructed to such a depth, have such an efficiency, and pumped at such a rate that will not unreasonably restrict further development of the aquifer system.
- 2) The water source well shall be completed no shallower than 2,000 feet below land surface.
- 3) The well shall be installed following procedures established by the Oil and Gas Division of the North Dakota Industrial Commission.
- 4) Prior to the beneficial use of water, an in-line continuous recording, totalizing water flowmeter shall be installed on the pump discharge line to measure the quantity of water pumped from the water source. The water flowmeter must meet the following requirements:
  - a. The water flowmeter must be certified by the manufacturer to record neither less than 98 percent nor more than 102 percent of the actual volume of water passing the water flowmeter when installed according to the manufacturer's instructions.
  - b. The water flowmeter must have a display that is readable at all times, whether the system is operating or not.
  - c. The water flowmeter must have a totalizer that meets the following criteria:
    - i. Is continuously updated to read directly only in acre-feet, acre-inches, gallons, cubic feet, or barrels (42 U.S. gallons)
    - ii. Has sufficient capacity, without cycling past zero more than once each year, to record the quantity of water diverted in any one calendar year;
    - iii. Has a dial or counter that can be timed with a stopwatch over not more than a 10-minute period to accurately determine the rate of flow under normal operating conditions; and
    - iv. Has a nonvolatile memory if the meter is equipped with an electronic totalizer.

SEAL

  
\_\_\_\_\_  
Dale L. Frink  
State Engineer

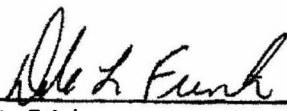
Date: June 17, 2009

**STATE OF NORTH DAKOTA**

**CONDITIONAL WATER PERMIT NO. 06080**

- d. The water flowmeter must be installed according to manufacturer's specifications and must be properly maintained according to manufacturer's recommendations.
  - e. The water flowmeter shall be available for inspection by the representatives of the State Engineer.
- 5) Failure to comply with any order of the State Engineer may result in forfeiture of this water permit.

SEAL

  
\_\_\_\_\_  
Dale L. Frink  
State Engineer

Date: June 17, 2009



**AUTHORIZATION TO PURCHASE AND TRANSPORT OIL FROM LEASE - FORM 8**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5690 (03-2000)

Well File No. <b>13565</b>
NDIC CTB No. <b>404141</b>

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND FOUR COPIES.

Well Name and Number <b>Nermoe 1-4</b>	Qtr-Qtr <b>SESE</b>	Section <b>4</b>	Township <b>160 N</b>	Range <b>78 W</b>	County <b>Bottineau</b>
Operator <b>Sagebrush Resources, LLC</b>	Telephone Number <b>720-881-6673</b>	Field <b>Southwest Starbuck</b>			
Address <b>9137 S. Ridgeline Blvd, Suite 270</b>	City <b>Highlands Ranch</b>	State <b>Co</b>	Zip Code <b>80129</b>		

Name of First Purchaser <b>Nexen Marketing USA Inc.</b>	Telephone Number <b>303-850-4282</b>	% Purchased <b>100</b>	Date Effective <b>October 1, 2008</b>	
Principal Place of Business <b>5660 Greenwood Plaza Blvd. Suite 230</b>	City <b>Greenwood Village</b>	State <b>Co</b>	Zip Code <b>80111</b>	
Field Address	City	State	Zip Code	
Name of Transporter <b>Diamond B Trucking</b>	Telephone Number <b>701-245-6423</b>	% Transported <b>100</b>	Date Effective <b>October 1, 2008</b>	
Address <b>PO Box 445</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>	

The above named producer authorizes the above named purchaser to purchase the percentage of oil stated above which is produced from the lease designated above until further notice. The oil will be transported by the above named transporter.

Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Comments		

I hereby swear or affirm that the information herein provided is true, complete and correct as determined from all available records. Date  
**November 12, 2008**

Signature <i>Robert C. Armstrong</i>	Printed Name <b>Robert Armstrong</b>	Title <b>President</b>
---	---	---------------------------

Above Signature Witnessed By	Witness Printed Name	Witness Title
Witness Signature <i>Jim Lohrenz</i>	<b>Jim Lohrenz</b>	<b>Chief Operating Officer</b>



FOR STATE USE ONLY

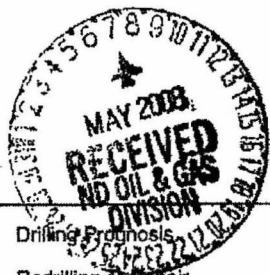
Date Approved <b>11-18-08</b>
By <i>Annette Johnson</i>
Title <b>Oil &amp; Gas Production Analyst</b>



# SUNDRY NOTICE AND REPORTS ON WELLS - FORM

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5748 (03-2000)

Well File No.  
**13565**



PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND THREE COPIES.

<input type="checkbox"/> Notice of Intent	Approximate Start Date
<input type="checkbox"/> Report of Work Done	Date Work Completed
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.	Approximate Start Date

<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Other	<u>Unit evaluation</u>

Well Name and Number <b>Nermoe 1-4</b>					
Footages	Qtr-Qtr	Section	Township	Range	
<b>660 F S L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>	
Field	Pool	County			
<b>Southwest Starbuck Unit</b>	<b>Spearfish</b>	<b>Bottineau</b>			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

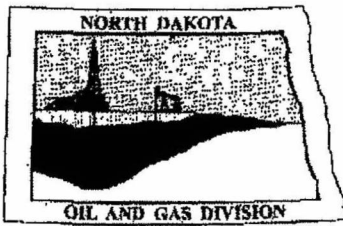
Name of Contractor(s)			
Address	City	State	Zip Code

### DETAILS OF WORK

Sagebrush had previously informed DMR that they would utilize this well in unit operations by May 15, 2008. Sagebrush is currently working on a unit opinion for title purposes and requests that a date of Sept 15 be set for beginning operations of putting this well into service or be plugged.

Company <b>Sagebrush Resources, LLC</b>		Telephone Number <b>701-245-6143</b>
Address <b>P.O. Box 397</b>		
City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>
Signature <i>Allen Boettcher</i>	Printed Name <b>Allen Boettcher</b>	
Title <b>Agent</b>	Date <b>May 2, 2008</b>	

FOR STATE USE ONLY	
<input checked="" type="checkbox"/> Received	<input type="checkbox"/> Approved
Date <b>5-13-08</b>	
By <i>Glenn L. Wollan</i>	
Title <b>GLENN L. WOLLAN</b> Field Supervisor	



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

**Department of Mineral Resources**

Lynn D. Helms - Director

**North Dakota Industrial Commission**

[www.oilgas.nd.gov](http://www.oilgas.nd.gov)

January 15, 2008

Robert Armstrong  
Sagebrush Resources, LLC  
6672 Yalc Drive  
Highlands Ranch CO 80130

**RE: CHANGE OF OPERATOR FROM BALLANTYNE OIL TO  
SAGEBRUSH RESOURCES, LLC  
SW STARBUCK-SPEARFISH UNIT  
12 WELLS**

Dear Mr. Armstrong:

Please find enclosed a copy of the approved Form 15, Notice of Transfer of Oil and Gas Wells, in regard to the above-referenced matter. This transfer has now been approved and subject wells are now covered by Sagebrush Resources, LLC Bond No. S806, cash bond with Bank of North Dakota, as Surety.

If you should have any questions, please feel free to contact this office.

Sincerely,

Marge Rixen  
Legal Assistant

mr

Enclosure

cc: Jackie Boettcher  
Ballantyne Oil  
PO Box 397  
Westhope ND 58793-0397

**NOTICE OF TRANSFER OF OIL AND GAS WELLS - FORM 15**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5782 (03-2000)

**FOR STATE USE ONLY**

NDIC Bond Number

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM. PLEASE SUBMIT THE ORIGINAL AND SIX COPIES.  
 THIS NOTICE ALONG WITH A FEE OF \$25.00 PER WELL SHALL BE FILED AT LEAST THIRTY DAYS BEFORE THE CLOSING DATE OF TRANSFER.

**TRANSFERRING OPERATOR**

Name of Operator Representative <b>Jackie Boettcher</b>			
Operator Transferring Oil and/or Gas Wells <b>Ballantyne Oil</b>			Telephone Number <b>(701) 245-6143</b>
Address <b>PO Box 397</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>
I, the above named representative, acknowledge the transfer of the oil and/or gas wells named below for the purpose of ownership and/or operation to the company named below.			
Signature <i>Jackie Boettcher</i>	Title (Must be an officer or power of attorney must be attached) <i>Pres. DC Mngmt, B.P. of Dardun Energy LLC, GP of Ballantyne Oil</i>		Date <b>Nov. 15, 07</b>

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
4141	M. Solberg 1	SW-NE, 9-160-78	
4453	Kaeding 1	NE-NE, 8-160-78	
8308	Roper 1	NE-SE, 5-160-78	
10322	Lervik 1	SW-SW, 5-160-78	
10794	Goodman-Romsos 1	SW-SE, 5-160-78	
10845	Christenson 1	NE-NW, 8-180-78	
	See attached page		

**RECEIVING OPERATOR**

Name of Operator Representative <b>Robert Armstrong</b>			
Operator Receiving Oil and/or Gas Wells <b>Sagebrush Resources, LLC</b>			Telephone Number <b>303-250-0015</b>
Address <b>6672 Yale Drive</b>	City <b>Highlands Ranch</b>	State <b>CO</b>	Zip Code <b>80130</b>
I, the above named representative, have read the foregoing statement and accept such transfer, also the responsibility of ownership and/or operation of said well or wells, under the said company bond, said bond being tendered to or on file with the Industrial Commission of North Dakota.			
Signature <i>Robert C Armstrong</i>	Title (Must be an officer or power of attorney must be attached) <i>President / CEO</i>		Date <b>11/20/07</b>

**SURETY COMPANY**

Surety <b>Bank of North Dakota</b>		Telephone Number	Amount of Bond <b>\$100,000</b>
Address	City	State	Zip Code
			Bond Number <b>S806</b>
I the above named SURETY agrees that such bond shall extend to compliance with Chapter 38-08 of North Dakota Century Code and amendments and the rules and regulations of the Industrial Commission of North Dakota prescribed to govern the production of oil and gas on government and private lands within the State of North Dakota, in relation to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased because of such extension.			
Signature	Title (Must be an officer or power of attorney must be attached)		Date
Printed Name			

**FOR STATE USE ONLY**

Date Approved <b>1-14-2008</b>
By <i>Bruce E. Fuhs</i>
Title <b>Assistant Director</b>



Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
11195	Lørvik 2-5	SE-SW, 5-160-78	
11779	Brandt Goodman 1-9	SE-NW, 9-160-78	
11988	Brandt/Nermoe 2-9	NE-NW, 9-160-78	
12154	Goodman 3-9	NW-NW, 9-160-78	
13565	Nermoe 1-4	SE-SE, 4-160-78	
14510	Solberg 2-9	NW-NE, 9-160-78	



# SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (09-2006)



Well File No. **13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND ONE COPY.

<input checked="" type="checkbox"/> Notice of Intent	Approximate Start Date <b>May 15, 2008</b>
<input type="checkbox"/> Report of Work Done	Date Work Completed
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.	Approximate Start Date

<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
<input checked="" type="checkbox"/> Other <b>Well evaluation</b>	

Well Name and Number <b>Nermond-4</b>					
Footages	Qtr-Qtr	Section	Township	Range	
<b>660 F S L</b>	<b>660 F E L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>
Field	Pool	County			
<b>Southwest Starbuck Unit</b>	<b>Spearfish</b>	<b>Bottineau</b>			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s)			
Address	City	State	Zip Code

### DETAILS OF WORK

Well will be evaluated to determine it's role in the recently formed Southwest Starbuck Spearfish Unit. The well will be brought into compliance and utilized or plugged and abandoned according to NDIC Oil & Gas requirements.

Company <b>Sagebrush Resources, LLC</b>	Telephone Number <b>245-6143</b>
Address <b>PO Box 397</b>	
City <b>Westhope</b>	State <b>ND</b>
Signature <i>Allen Boettcher</i>	Printed Name <b>Allen Boettcher</b>
Title <b>Agent</b>	Date <b>January 11, 2008</b>
Email Address <b>basinservice@srt.com</b>	

FOR STATE USE ONLY	
<input checked="" type="checkbox"/> Received	<input type="checkbox"/> Approved
Date	<b>1-14-08</b>
By	<i>Glenn L. Wollan</i>
Title	<b>GLENN L. WOLLAN</b> Field Supervisor



**AUTHORIZATION TO PURCHASE AND TRANSPORT OIL FROM LEASE - FORM 8**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5698 (03-2000)

Well File No. <b>13565</b>
NDIC CTB No. <b>211779</b>

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND FOUR COPIES.

Well Name and Number <b>Nermoe 1-4</b>	Qtr-Qtr <b>SESE</b>	Section <b>4</b>	Township <b>160 N</b>	Range <b>78 W</b>	County <b>Bottineau</b>
Operator <b>Ballantyne Oil</b>	Telephone Number <b>701-245-6143</b>	Field <b>South Starbuck</b>			
Address <b>PO Box 397</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>		

Name of First Purchaser <b>Flint Hills Resources, L.P.</b>	Telephone Number <b>800-292-3133</b>	% Purchased <b>100</b>	Date Effective <b>November 1, 2006</b>		
Principal Place of Business <b>PO Box 2917</b>	City <b>Wichita</b>	State <b>KS</b>	Zip Code <b>67201-2917</b>		
Field Address	City	State	Zip Code		
Name of Transporter <b>Diamond B Trucking</b>	Telephone Number <b>701-245-6423</b>	% Transported <b>100</b>	Date Effective <b>November 1, 2006</b>		
Address <b>PO Box 445</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>		

The above named producer authorizes the above named purchaser to purchase the percentage of oil stated above which is produced from the lease designated above until further notice. The oil will be transported by the above named transporter.

Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Comments		

I hereby swear or affirm that the information provided is true, complete and correct as determined from all available records.		Date <b>December 29, 2006</b>
Signature <i>Jackie Boettcher</i>	Printed Name <b>Jackie Boettcher</b>	Title <b>Office Manager</b>
Above Signature Witnessed By Witness Signature <i>Kathy Matteson</i>	Witness Printed Name <b>Kathy Matteson</b>	Witness Title <b>Bookkeeper</b>



**FOR STATE USE ONLY**

Date Approved <b>1-15-07</b>
By <i>Annotta Taylor</i>
Title <i>Oil + Gas Production Analyst</i>



# SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840  
SFN 5749 (07-2000)

Well File No.  
**13565**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
PLEASE SUBMIT THE ORIGINAL AND THREE COPIES.

<input checked="" type="checkbox"/> Notice of Intent	Approximate Start Date <b>January, 2007</b>
<input type="checkbox"/> Report of Work Done	Date Work Completed
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.	Approximate Start Date

<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
<input checked="" type="checkbox"/> Other <b>Well Evaluation</b>	

Well Name and Number <b>Nermoe 1-4</b>					
Footages	Qtr-Qtr	Section	Township	Range	
<b>660 F S L 660 F E L</b>	<b>SESE</b>	<b>4</b>	<b>160 N</b>	<b>78 W</b>	
Field <b>South Starbuck</b>	Pool <b>Spearfish</b>	County <b>Bottineau</b>			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s)			
Address	City	State	Zip Code

### DETAILS OF WORK

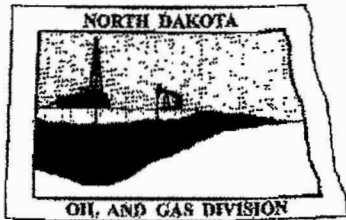
Upon transfer of well from Turtle Mountain Gas and Oil to Ballantyne Oil, Ballantyne Oil will proceed with plans to utilize well in anticipation of utilizing of the Spearfish Pool in the Southwest Starbuck Field Area.

*Note: well must be brought into compliance w/ sec. 43-02-03-55, NDAC.*

Company <b>Ballantyne Oil</b>	Telephone Number <b>701-245-6143</b>
Address <b>P O Box 397</b>	
City <b>Westhope</b>	State <b>ND</b>
Signature <i>Allen Boetcher</i>	Printed Name <b>Allen Boetcher</b>
Title <b>Manager</b>	Date <b>December 27, 2006</b>

FOR STATE USE ONLY	
<input checked="" type="checkbox"/> Received	<input type="checkbox"/> Approved
Date <b>1-5-07</b>	
By <i>Glenn L. Wollan</i>	
Title <b>GLENN L. WOLLAN</b> Field Supervisor	

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# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

**Department of Mineral Resources**

Lynn D. Helms - Director

**North Dakota Industrial Commission**

[www.oilgas.nd.gov](http://www.oilgas.nd.gov)

January 5, 2007

Allen Boettcher  
Ballantyne Oil  
PO Box 397  
Westhope ND 58793-0397

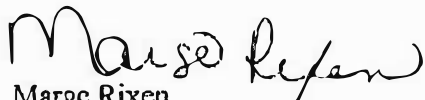
**RE: CHANGE OF OPERATOR FROM TURTLE MOUNTAIN GAS & OIL  
TO BALLANTYNE OIL  
11 WELLS**

Dear Mr. Boettcher:

Please find enclosed a copy of the approved Form 15, Notice of Transfer of Oil and Gas Wells, in regard to the above-referenced matter. This transfer has now been approved and subject wells are now covered by Ballantyne Oil Bond No. B805, cash bond with the Bank of North Dakota, as Surety.

If you should have any questions, please feel free to contact this office.

Sincerely,

  
Marge Rixen  
Legal Assistant

nr

Enclosure

cc: David Olson  
Turtle Mountain Gas & Oil  
PO Box 4  
Bottineau ND 58318



# NOTICE OF TRANSFER OF OIL AND GAS WELLS - FORM 15

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5762 (03-2000)



**FOR STATE USE ONLY**  
 NDIC Bond Number

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM. PLEASE SUBMIT THE ORIGINAL AND SIX COPIES THIS NOTICE ALONG WITH A FEE OF \$25.00 PER WELL SHALL BE FILED AT LEAST THIRTY DAYS BEFORE THE CLOSING DATE OF TRANSFER.

### TRANSFERRING OPERATOR

Name of Operator Representative <b>David L. Olson</b>			
Operator Transferring Oil and/or Gas Wells <b>Turtle Mountain Gas &amp; Oil, Inc.</b>			Telephone Number <b>(701) 228-2417</b>
Address <b>PO Box 4</b>	City <b>Bottineau</b>	State <b>ND</b>	Zip Code <b>58318</b>
I, the above named representative, acknowledge the transfer of the oil and/or gas wells named below for the purpose of ownership and/or operation to the company named below			
Signature <i>David L. Olson</i>		Title (Must be an officer or power of attorney must be attached) <b>President</b>	Date <b>12-27-06</b>

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
	<b>See attached Exhibit "A"</b>		

### RECEIVING OPERATOR

Name of Operator Representative <b>Darleen Ballantyne</b>			
Operator Receiving Oil and/or Gas Wells <b>Ballantyne Oil Company</b>			Telephone Number <b>(701) 245-6143</b>
Address <b>PO Box 397</b>	City <b>Westhope</b>	State <b>ND</b>	Zip Code <b>58793</b>
I, the above named representative, have read the foregoing statement and accept such transfer, also the responsibility of ownership and/or operation of said well or wells, under the said company bond, said bond being tendered to or on file with the Industrial Commission of North Dakota.			
Signature <i>Darleen Ballantyne</i>		Title (Must be an officer or power of attorney must be attached) <b>General Partner</b>	Date <b>12-27-06</b>

### SURETY COMPANY

Surety <b>Bank of North Dakota</b>		Telephone Number <b>(701) 328-5600</b>		Amount of Bond <b>\$ \$100,000</b>	
Address <b>700 E Main Ave, PO Box 5509</b>	City <b>Bismarck</b>	State <b>ND</b>	Zip Code <b>58506-5509</b>	Bond Number <b>B-805</b>	
The above named SURETY agrees that such bond shall extend to compliance with Chapter 38-08 of North Dakota Century Code and amendments and the rules and regulations of the Industrial Commission of North Dakota prescribed to govern the production of oil and gas on government and private lands within the State of North Dakota, in relation to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased because of such extension.					
Signature		Title (Must be an officer or power of attorney must be attached)		Date	
Printed Name		<b>FOR STATE USE ONLY</b>			

Date Approved <b>1-05-2007</b>
By <i>Bruce S. Aiche</i>
Title <i>President</i>

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**EXHIBIT "A"**  
to Notice of Transfer of Oil and Gas Wells - Form 15

Well File Number	Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
12154	Goodman 3-9	NWNW 9-160-78	11/01/06
10322	Lervik 1	SWSW 5-160-78	11/01/06
11988	Brandt/Nermoe 2-9	NENW 9-160-78	11/01/06
11195	Lervik 2-5	SESW 5-160-78	11/01/06
8308	Roper 1	NESE 6-160-78	11/01/06
11779	Brandt Goodman 1-9	SESW 9-160-78	11/01/06
4141	M. Solberg 1	SWNE 9-160-78	11/01/06
10794	Goodman-Romsos 1	SWSE 5-160-78	11/01/06
14510	Solberg 2-9	NWNE 9-160-78	11/01/06
10845	Christenson 1	NENW 8-160-78	11/01/06
13565	Nermoe 1-4	SESE 4-160-78	11/01/06

13565

TURTLE MOUNTAIN GAS & OIL, INC.  
33 WESTERGARD ROAD  
P.O. BOX 4  
BOTTINEAU, N.D. 58318  
(701) 263-4694  
(701) 228-4591



May 23, 2005

Mr. Glenn L. Wollan  
Field Supervisor  
600 E. Boulevard Ave., Dept. #405  
Bismarck, N.D. 58505-0840

Dear mr. Wollan;

The following is in response to what has been done to the Turtle Mountain Gas & Oil, Inc. wells listed in your letter dated December 16, 2004.

4141 M. Solberg 1

We would pressure test at any time and are presently in final negotiations with Ballantyne Oil for change of operator and unitization.

8308 Roper 1

The lease sign has been ordered May 28, 2005. The oil spill has been cleaned up and site restored.

9098 KOK 1-13

Plugging order has been filed for both the KOK 1-13 and KOK 2-13 and a judgment filed on the equipment. The 640 pumping unit was removed from the KOK 1-13 and belongs to that location.



10322 Lervik 1-5

Oil spill has been cleaned up and lease sign will be in May 28, 2005.

10639 Castor-State 2

The renter on that land has been using this site as a feeding and salt block area for his cattle. He will again haul in manure from his barnyard as he did on the other site.

10794 Goodman-Romsos

Well has been on production and report has been filed on Form 5.

10845 Christenson 1

Pending agreement with Ballantyne Oil as the well is needed for the unification.

11195 Lervik 2-5

Oil spill has been cleaned up and lease sign to be delivered by May 28, 2005. There was not an abandon test tak on this location but a production tank was moved from the Lervik 1 to the Goodman-Romsos.

11779 Brandt-Goodman 1-9

Lease sign will be in May 28, 2005. Oil spill has been cleaned up.

12154 Goodman 3-9

The well was squeezed 2 months after leak was detected and a liner was installed 6 months later after the squeeze let loose. This sealed the leak. The sign has been ordered and will be here May 28, 2005.

12684 Lien 1-8

The location has been cultivated and it looks like preparation to plant has been completed as of May 5, 2005. Ole Lynne has been contacted to remove 3' of line pipe and about 3' of electrical cable.

12753 Lien 2-8

When I was out to the location on May 5, 2005 the location was being farmed but it was to wet to get on on location and Ole Lynne has been contacted to further check the location.

13174 Lynne 2-14

Affidavit from surface owner has been submitted to the State and approved.

13565 Nermoe 1-14

Spill has been cleaned up and the equipment is in good condition.

14510 Solberg 2-9

Location was cleaned up and lease sign has been ordered and will be ready May 28, 2005.

We have a meeting with Ballantyne Oil on May 24, 2005 to proceed with unitization and operation of the Starbuck Fields.

Sincerely,



David L. Olson  
President

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION <sup>13565</sup>

Lynn D. Helms  
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks  
ASSISTANT DIRECTOR

December 16, 2004

Mr. Peter Plunkett  
Minnesota Trust Company  
107 Oakland Avenue  
P.O. Box 463  
Austin, MN 55912

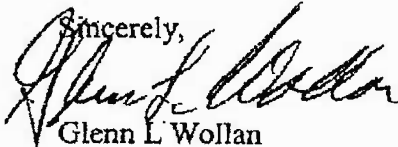
Re: First Heartland Bond No. FHS-0102-A

Dear Mr. Plunkett:

I received your response to my letter of October 27, 2004. Since you did not fully address a compliance plan and timetable for each well as I requested, you will find attached specific requirements and a timetable for completion of the requirements for each well.

If the requirements and timetable are not followed, I intend to turn the matter over to the Attorney General's office and request enforcement of the rights we have under the bond your company issued.

Sincerely,



Glenn L. Wollan  
Field Supervisor

cc: Charles Carvell  
Dave Olson

Encl

CERTIFIED MAIL - 7000 0520 0022 8654 4832

**FILE WELL NAME**

**4141 M. SOLBERG 1**

Although this well was pressure tested and qualified for temporary abandonment status in May 2003, the status is only granted for a one year time period and has expired. TMG&O's intended use for the well as a water source well depends on unitization of the field. No unitization plan has been filed with the Commission and the well therefore does not qualify for renewal of temporarily abandoned status and continues in violation of Section 43-02-03-55.

12-16-04. A plugging procedure for this well must be submitted by 1-31-05 and the work completed by 6-1-05. Alternatively, a form 15 (Transfer of Operator) could be submitted transferring the well to one of the operators TMG&O has contacted to develop a unitization plan. We will NOT consider pressure testing the well as an acceptable compliance plan.

**8308 ROPER 1**

This well is in violation of Sections 43-02-03-17 & 49. It needs a lease sign, there was oil spilled around the wellhead and an abandoned tank that needs to be removed.

12-16-04. The oil spillage must be cleaned up, lease sign installed and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead. The tank on site is not currently in use. If it is not in usable condition, it must be removed to comply with Section 43-02-03-49. Regarding Mr. Olson's comment that "you can't pump oil without some spillage", I will note that other operators minimize these problems through proper maintenance of equipment.

**9098 KOK 1-13**

Regardless of ownership, TMG&O is responsible for the well as operator of record. Mr. Olson told us a couple of years ago that he would start proceedings against Prosper Oil but no action has occurred that we are aware of. TMG&O is in violation of ICO 9095 requiring plugging of the well by April 1, 2002 and reclamation of the wellsite by July 1, 2002. Further, the district court ordered TMG&O to remedy all violations found in ICO 9095 (Northeast Judicial District, Civil No. 02-C-39). The 640 pumping unit Mr. Olson refers to is not for this well but for the Prosper Kok 2-13 well on the adjacent well site.

12-16-04. A plugging procedure must be submitted by 1-31-05 and the work completed by 6-1-05.

**10322 LERVIK 1**

Well is in violation of Sections 43-02-03-17 & 49. A lease sign is needed and there is oil spilled around the wellhead.

12-16-04. The oil spillage must be cleaned up, a lease sign installed and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead.

**10639 CASTOR-STATE 2**

TMG&O was notified in June of 1998 that the site required reseeding. Our inspector is unaware of the work being done and no report of the work being done was filed with us. Our inspector reports that about 60% of the site is weeds and dead area. The State Land Department owns this land and has also reported large bare areas and exposed pit liner on the site.

12-16-04. A form 4 must be submitted by 6-1-05 outlining a plan to address the bare and weedy areas on the site, and the exposed pit liner. Because this site is on State land you should meet with a representative of the Land Department and NDIC Oil & Gas Division prior to submitting the remediation plan.

**10794 GOODMAN-ROMSOS 1**

TMG&O is in violation of ICO 9095 and the court order referred to above.

12-16-04. A production report must be filed no later than 1/5/05 as noted.

**10845 CHRISTENSON 1**

Again, this well is in violation of the ICO 9095 and the court order.

12-16-04. A plugging procedure for this well must be submitted by 1-31-05 and the work completed by 6-1-05. Alternatively, a form 15 (Transfer of Operator) could be submitted transferring the well to one of the operators TMG&O has contacted to develop a unitization plan.

**11195 LERVIK 2-5**

This well is in violation of Sections 43-02-03-17 & 49. It needs a lease sign, there was oil spilled around the wellhead and an abandoned test tank needs to be removed.

12-16-04. The oil spillage must be cleaned up, a lease sign installed and the tank moved. A form 4 must be submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead.

**11779 BRANDT GOODMAN 1-9**

Lease sign needed and oil spilled around wellhead.

12-16-04. The oil spillage must be cleaned up, a lease sign installed and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead.

**11988 BRANDT/NERMOE 2-9**

Lease sign needed and oil spilled around wellhead.

12-16-04. The oil spillage must be cleaned up, a lease sign installed and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead.

**12154 GOODMAN 3-9**

The defective casing has recently been isolated about a year and half after the Oil & Gas Division became aware of the casing leak and after repeated requests to rectify it. A lease sign needed.

**12-16-04.** A lease sign must be installed and a form 4 submitted by 1-31-05 reporting the completion of the work.

**12684 LIEN 1-8**

Reclamation is not adequate. A recent inspection showed lack of growth and poor topsoil replacement with subsoil and gravel mixed in.

**12-16-04.** A form 4 must submitted by 6-1-05 outlining a plan to address the deficiencies on the site. You should meet with the landowner and a representative of the NDIC Oil & Gas Division prior to submitting the plan.

**12753 LIEN 2-8**

Reclamation is not adequate. A recent inspection showed lack of growth and poor topsoil replacement with subsoil and gravel mixed in.

**12-16-04.** A form 4 must submitted by 6-1-05 outlining a plan to address the deficiencies on the site. You should meet with the landowner and a representative of the NDIC Oil & Gas Division prior to submitting the plan.

**13174 LYNNE 2-14**

An affidavit from the surface owner requesting waiver of reclamation of the lease road must be submitted.

**12-16-04.** The affidavit must be submitted by 1-31-05.

**13565 NERMOR 1-4**

Although the well has been started up again, it is in violation of Sections 43-02-03-49 & 53 because of oil and salt water spilled around the wellhead.

**12-16-04.** Since our inspector noted oil and saltwater spilled when he inspected the site on 10-12-04, Mr. Olson must have been on the site earlier that month. In any case, the oil and water spillage must be cleaned up and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead. A tank and treater on the site are currently not in use. If this equipment is not in usable condition, it must be removed to comply with Section 43-02-03-49.

**14510 SOLBERG 2-9**

Lease sign needed and oil spilled around wellhead.

**12-16-04.** The oil spillage must be cleaned up, a lease sign installed and a form 4 submitted by 1-31-05 reporting the completion of the work and indicating what repairs have been done to prevent further leakage from the wellhead.

13565



# Minnesota Surety and Trust Company

MINNESOTA'S FOREMOST INDEPENDENT SURETY AND TRUST COMPANY

107 West Oakland Avenue • P.O. Box 463

AUSTIN, MINNESOTA 55912

507 / 437-3231 800 / 322-3502

Fax: 507 / 437-8376

www.minnesotasurety.com



December 3, 2004

Glenn L. Wellan  
North Dakota Industrial Commission  
Oil and Gas Division  
600 E. Boulevard Ave.  
Dept. 405  
Bismarck, ND 58505-0840

**CERTIFIED MAIL AND FAX**  
70022410000710128876  
**FAX NO.: 701-328-8022**

RE: First Heartland Surety Bond Number FHS-0102-A

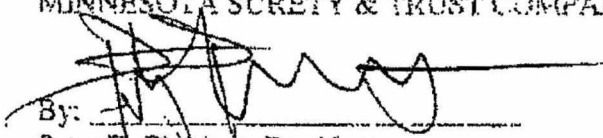
Dear Mr. Wellan:

We acknowledge receipt of your letter dated October 27, 2004. I have again talked with Mr. Olson regarding your letter. Attached to this letter is Mr. Olson's response and plan of action regarding the subject wells. I think that it would be appropriate at this time to have conference call between Minnesota Surety, Dave Olson and yourself so that we can all agree on a plan for resolution of the alleged problems that you have described in your October 27 letter and attachments.

I look forward to working with you on this. Thank you for your cooperation.

Yours very truly,

MINNESOTA SURETY & TRUST COMPANY

  
By: \_\_\_\_\_  
Peter D. Plunkett, President

PDP/njt

Enclosure

Cc: Dave Olson

- Bail Bonds
- Court Bonds
- Fiduciary Bonds
- Savings Department
- Complete Trust Services

TURTLE MOUNTAIN



<u>FILE</u>	<u>WELL NAME</u>		<u>VIOLATION</u>
4141	M. SOLBERG	1	43-02-03-55 Abandonment of Wells

**ANSWER:** This well has not been abandoned. It is the Starbuck field. It will be used as a source well for water. It has been tested recently and is in full compliance. It hasn't been producing recently but is has been pressured tested. There is a 50-foot plug on the base.

**ANSWER 10-27-04:** Mr. Olson will pressure test this well. At this time, he is negotiating with Ward Williston of West Hope and Eagle Operating of Kenmare to develop a unitization plan and to water flood the field.

8308 ROPER 1

**ANSWER:** In production.

**ANSWER 10-27-04:** A new lease sign will be in place within a month. There is no abandoned tank. The tank belongs to the lease. Regarding oil spilled around the wellhead, you can't pump oil with out some spillage. Any amount of spillage noticed on Roper I will be taken care of through proper mitigation techniques.

9098 KOK 1-13 43-02-03-55 Abandonment of Wells

**ANSWER:** This well was being operated by Larry Jones of Prosper Oil. No payments have been made to Mr. Olson from Prosper Oil. Therefore, Mr. Olson is going to foreclose on this well. There is a 640 pumping unit on the well. If necessary, the well be sold and plugged by Turtle Mountain. At this point, there is a 50-foot plug over the pay zone on this well. Part of the problem with this well as far as operation is that there is no electricity out there and it is quite expensive to get electricity there. It is approximately a 15 barrel a day well.

**ANSWER 10-27-04:** Mr. Olson is going to be hiring an attorney (the same attorney that Minnesota Surety is using. See below) to bring an action against Larry Jones and Prosper Oil for premiums owed. Apparently, all of the equipment was moved from KOK 1-13 to KOK 2-13, which is a well right next to it. Larry Jones and Prosper Oil are also bonded on KOK 2-13 through Minnesota Surety and Trust Company. A lawsuit is currently pending by Minnesota Surety and Trust Company against Larry Jones and Prosper Oil regarding KOK 2-13. Enclosed as Exhibit A are the suit papers for this lawsuit. Once we obtain a judgment against Larry Jones and Prosper Oil, we will foreclose upon all of the equipment on the site which will yield enough cash to plug both KOK 1-13 and KOK 2-13.

-1197°

10322 LERVIK 1

**ANSWER:** In production.



**ANSWER 10-27-04:** A lease sign will be in place within a month. To the extent that there is any oil spillage around the wellhead, this will be cleaned up within the same time period. We reiterate that it is very difficult to pump oil on any well without some amount of spillage.

10639            CASTOR-STATE    2                    43-02-03-19 Site Reclamation

**ANSWER:** Mr. Olson informs us that they spent \$47,000.00 on site restoration five years ago. The State inspector at the time said it was fine when finished. Apparently, one of the wells has been released but not the other. Mr. Olson hasn't received any notice on either of the wells for 7 or 8 years. Mr. Olson would like to know why the site reclamation was approved on one well but not the other when the same thing was done on both wells.

**ANSWER 10-27-04:** Mr. Olson tells me that both Castor 1 and 2 have been re-seeded twice. Furthermore, a man by the name of Bergstrom spread black dirt on the properties once. Castor-State 1 was previously released sometime ago. A farmer is apparently using Castor-State 2 as a feedlot for his cattle. There are salt licks and bail feeders on the premises. Regarding the claimed exposed pit liner, Mr. Olson is unsure where this may be. However, it will be removed as soon as possible. Nothing can be done on this property until next spring in any event.

10794            GOODMAN-ROMOSS    1                    43-02-03-55 Abandonment of Wells

**ANSWER:** This is a 3 or 4 barrel a day well. Mr. Olson said he will hook up the well and get it going again this fall. It needs a new motor and some wellhead work.

**ANSWER 10-27-04:** Mr. Olson realizes that there is a violation of ICO9095 and the court order that you referenced. However, this well is currently in production. A work over rig and a tank have been moved to the property. Furthermore, Mr. Olson tells me that he is current on his lease for this property. A production report will be filed next month.

10845            CHRISTENSON    1                    43-02-03-55 Abandonment of Wells

**ANSWER:** This well is going to be an injection well for water flood. Hopefully Mr. Olson can get enough water down there or else he will use it as a source well. The well is no problem and the site is O.K.

**ANSWER 10-27-04:** Again, Mr. Olson realizes that there is an order ICO9095 affecting this well. Mr. Olson has talked with Ward Williston to see about putting a pumping unit on this well and going back into production with it. The well produces about 3 barrels a day and is therefore economical under the current prices. Furthermore, there is an extra pumping unit available now that can be used on this well.

11195            LERVIK    2-5

**ANSWER:** In production.

**ANSWER 10-27-04:** Regarding the lease sign and oil spillage, please refer to answer to Lervik 1 above. There is no "abandoned test tank" on the premises that needs to be removed. The tank that is being referred to is a production tank and it is being moved to Goodman-Romoss 1. This production tank could stay on the property because it is O.K. with the landowner. However, it will be moved.

11779 BRANDT GOODMAN 1-9

**ANSWER:** In production.

**ANSWER 10-27-04:** See answer to Lervik 1 above.

11988 BRANDT/NERMOE 2-9

**ANSWER:** In production.

**ANSWER 10-27-04:** See answer to Lervik 1 above.

12154 GOODMAN 3-9 43-02-03-22 Defective Casing

**ANSWER:** Mr. Olson informs me that they spend \$80,000.00 on this well last fall. It produced for a couple of months and then one of the State employees said that there was pressure on the casing side and made him shut it in. Mr. Olson ordered a "double packer" and should have been on-line by the end of May but it took three months to get the double packer. This well has been on-line since August 28, 2004 and Mr. Olson has filed the necessary paperwork with your division. There should be no problem with this well.

**ANSWER 10-27-04:** See answer to Lervik 1 above.

12684 LIEN 1-8

**ANSWER:** Plugged and reclaimed.

**ANSWER 10-27-04:** This is the first that Mr. Olson became aware that reclamation is not adequate according to your office. Mr. Olson will need to talk to the person that reclaimed it. Again, any further work on the premises will not be able to be done until next spring.

12753 LIEN 2-8

**ANSWER:** Plugged and reclaimed.

**ANSWER 10-27-04:** This is the first that Mr. Olson became aware that reclamation is not adequate according to your office. Mr. Olson will need to talk to the person that reclaimed it. Again, any further work on the premises will not be able to be done until next spring.

13174 LYNNE 2-14 43-02-03-19 Site Reclamation

**ANSWER:** The site has been reclaimed. The landowner next to the site specifically requested that Mr. Olson leave the road going in which he needs for access to another field. Mr. Olson will obtain a signed affidavit from the landowner regarding this. Site reclamation on this well should be approved.

**ANSWER 10-27-04:** An affidavit from Ole Lynne will be obtained within a month.

13565            NERMOE        1-4                            43-02-03-55 Abandonment of Wells

**ANSWER:** Well put back into service on October 7, 2004.

**ANSWER 10-27-04:** Mr. Olson personally looked at this well in October of 2004. There was no detectable salt-water spill. The pumping unit does not exceed four square feet which is common in the industry. There is no oil spilled around the wellhead either.

14510            SOLBERG        2-9

**ANSWER:** In production.

**ANSWER 10-27-04:** See answer to Lervik 1 above.

Mr. Olson would also add that a ND State inspector was out in the area two weeks ago and did not have time to look at Turtle Mountain's well in the Starbuck field. New lease signs have now been ordered for all wells.

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Lynn D. Helms  
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks  
ASSISTANT DIRECTOR

October 27, 2004

Mr. Peter Plunkett  
Minnesota Trust Company  
107 Oakland Avenue  
P.O. Box 463  
Austin, MN 55912

Re: First Heartland Bond No. FIIS-0102-A

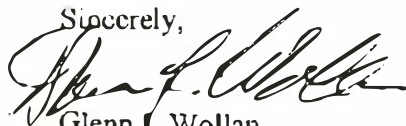
Dear Mr. Plunkett:

I received your response to my letter requesting action to either correct the violations on the above bond or forfeit the bond, and have attached a more detailed well-by-well comment on the violations to illustrate that, indeed, Turtle Mountain Gas and Oil's response has been insufficient and minimal. In short, we have been attempting to work with Mr. Olson for years to correct many of these problems. The Kok, Lynne, Christenson and Goodman-Romsos wells were the subject of an Industrial Commission order in 2001 and a court order in 2002. Only the Lynne 2-14 has had action taken to comply with the orders, and that work was done by a company who I believe had a working interest in the well.

Again, we are requesting that Minnesota Trust/First Heartland, as surety for TMG&O proceed immediately to do one of two things; either begin to immediately bring the wells into compliance or forfeit the bond amount. If you decide to forfeit the bond I want to receive your check within two weeks. If you decide to correct the violations, I would like to receive from you within two weeks a compliance plan that sets forth all the work you intend to do and when you intend to begin and complete each component of the plan. If we find the plan unacceptable we will contact you to discuss its revision. If we cannot agree on a compliance plan we may then ask that the bond amount be forfeited.

If we do not hear from you within two weeks, I will turn the matter over to the Attorney General's office and ask it to enforce the rights we have under the bond your company issued.

Sincerely,



Glenn C. Wollan  
Field Supervisor

Cc: Charles Carvell  
David Olson

CERTIFIED MAIL – 7000 0520 0022 8654 4764

40

**FILE WELL NAME**

**4141 M. SOLBERG 1**

Although this well was pressure tested and qualified for temporary abandonment status in May 2003, the status is only granted for a one year time period and has expired. TMG&O's intended use for the well as a water source well depends on unitization of the field. No unitization plan has been filed with the Commission and the well therefore does not qualify for renewal of temporarily abandoned status and continues in violation of Section 43-02-03-55.

**8308 ROPER 1**

This well is in violation of Sections 43-02-03-17 & 49. It needs a lease sign, there was oil spilled around the wellhead and an abandoned tank that needs to be removed.

**9098 KOK 1-13**

Regardless of ownership, TMG&O is responsible for the well as operator of record. Mr. Olson told us a couple of years ago that he would start proceedings against Prosper Oil but no action has occurred that we are aware of. TMG&O is in violation of ICO 9095 requiring plugging of the well by April 1, 2002 and reclamation of the wellsite by July 1, 2002. Further, the district court ordered TMG&O to remedy all violations found in ICO 9095 (Northeast Judicial District, Civil No. 02-C-39). The 640 pumping unit Mr. Olson refers to is not for this well but for the Prosper Kok 2-13 well on the adjacent well site.

**10322 LERVIK 1**

Well is in violation of Sections 17 & 49. A lease sign is needed and there is oil spilled around the wellhead.

**10639 CASTOR-STATE 2**

TMG&O was notified in June of 1998 that the site required reseeding. Our inspector is unaware of the work being done and no report of the work being done was filed with us. Our inspector reports that about 60% of the site is weeds and dead area. The State Land Department owns this land and has also reported large bare areas and exposed pit liner on the site.

**10794 GOODMAN-ROMSOS 1**

TMG&O is in violation of ICO 9095 and the court order referred to above.

**10845 CHRISTENSON 1**

Again, this well is in violation of the ICO 9095 and the court order.

**11195 LERVIK 2-5**

This well is in violation of Sections 17 & 49. It needs a lease sign, there was oil spilled around the wellhead and an abandoned test tank that needs to be removed.

**11779 BRANDT GOODMAN 1-9**

Lease sign needed and oil spilled around wellhead.

**11988 BRANDT/NERMOE 2-9**

Lease sign needed and oil spilled around wellhead.

**12154 GOODMAN 3-9**

The defective casing has recently been isolated about a year and half after the Oil & Gas Division became aware of the casing leak and after repeated requests to rectify it. A lease sign is needed.

**12684 LIEN 1-8**

Reclamation is not adequate. A recent inspection showed lack of growth and poor topsoil replacement with subsoil and gravel mixed in.

**12753 LIEN 2-8**

Reclamation is not adequate. A recent inspection showed lack of growth and poor topsoil replacement with subsoil and gravel mixed in.

**13174 LYNNE 2-14**

An affidavit from the surface owner requesting waiver of reclamation of the lease road must be submitted.

**13565 NERMoe 1-4**

Although the well has been started up again, it is in violation of Section 43-02-03-49 & 53 because of oil and salt water spilled around the wellhead.

**14510 SOLBERG 2-9**

Lease sign needed and oil spilled around wellhead.

13565



# Minnesota Surety and Trust Company

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AUSTIN, MINNESOTA 55912

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October 8, 2004

Glenn L. Wollan  
North Dakota Industrial Commission  
Oil and Gas Division  
600 E. Boulevard Ave.  
Dept. 405  
Bismarck, ND 58505-0840

**CERTIFIED MAIL**  
70022410006710128838

RE: First Heartland Surety Bond Number FHS-0102-A

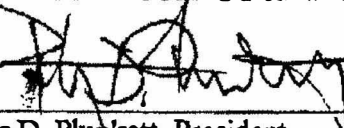
Dear Mr. Wollan:

Your letter to Warren Plunkett dated September 15, 2004 has been referred to me for response. I have talked with Dave Olson of Turtle Mountain Oil and Gas regarding your letter and its attachments. Attached to this letter is Mr. Olson's response. Mr. Olson takes issue with your comment to the effect that the Commission has attempted to work with Turtle Mountain to correct the violations but the progress has been "minimal". Mr. Olson informed me that he has just recently spent approximately \$170,000.00 to correct the alleged violations. The answers set forth on the attached document should resolve these issues. At this point, there are no violations that would warrant forfeiture of the bond.

Please contact me at your convenience so that we can discuss this matter further. Thank you.

Yours very truly,

MINNESOTA SURETY & TRUST COMPANY

By:   
Peter D. Plunkett, President

PDP/njb  
Enclosure

Cc: Dave Olson

F:\law\doc\encl\surety\Turtle Mountain to Wollan-10.8.04.doc

Bail Bonds  
Court Bonds  
Fiduciary Bonds  
Savings Department  
Complete Trust Services

TURTLE MOUNTAIN



<u>FILE</u>	<u>WELL NAME</u>		<u>VIOLATION</u>
4141	M. SOLBERG	1	43-02-03-55 Abandonment of Wells

**ANSWER:** This well has not been abandoned. It is the Starbuck field. It will be used as a source well for water. It has been tested recently and is in full compliance. It hasn't been producing recently but is has been pressured tested. There is a 50-foot plug on the base.

8308	ROPER	1	
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**ANSWER:** In production.

9098	KOK	1-13	43-02-03-55 Abandonment of Wells
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**ANSWER:** This well was being operated by Larry Jones of Prosper Oil. No payments have been made to Mr. Olson from Prosper Oil. Therefore, Mr. Olson is going to foreclose on this well. There is a 640 pumping unit on the well. If necessary, the well be sold and plugged by Turtle Mountain. At this point, there is a 50-foot plug over the pay zone on this well. Part of the problem with this well as far as operation is that there is no electricity out there and it is quite expensive to get electricity there. It is approximately a 15 barrel a day well.

10322	LERVIK	1	
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**ANSWER:** In production.

10639	CASTOR-STATE	2	43-02-03-19 Site Reclamation
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**ANSWER:** Mr. Olson informs us that they spent \$47,000.00 on site restoration five years ago. The State inspector at the time said it was fine when finished. Apparently, one of the wells has been released but not the other. Mr. Olson hasn't received any notice on either of the wells for 7 or 8 years. Mr. Olson would like to know why the site reclamation was approved on one well but not the other when the same thing was done on both wells.

10794	GOODMAN-ROMOSS	1	43-02-03-55 Abandonment of Wells
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**ANSWER:** This is a 3 or 4 barrel a day well. Mr. Olson said he will hook up the well and get it going again this fall. It needs a new motor and some wellhead work.

10845	CHRISTENSON	1	43-02-03-55 Abandonment of Wells
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**ANSWER:** This well is going to be an injection well for water flood. Hopefully Mr. Olson can get enough water down there or else he will use it as a source well. The well is no problem and the site is O.K.



11195 LERVIK 2-5

ANSWER: In production.

11779 BRANDT GOODMAN 1-9

ANSWER: In production.

11988 BRANDT/NERMOE 2-9

ANSWER: In production.

12154 GOODMAN 3-9 43-02-03-22 Defective Casing

ANSWER: Mr. Olson informs me that they spend \$80,000.00 on this well last fall. It produced for a couple of months and then one of the State employees said that there was pressure on the casing side and made him shut it in. Mr. Olson ordered a "double packer" and should have been on-line by the end of May but it took three months to get the double packer. This well has been on-line since August 28, 2004 and Mr. Olson has filed the necessary paperwork with your division. There should be no problem with this well.

12684 LIEN 1-8

ANSWER: Plugged and reclaimed.

12753 LIEN 2-8

ANSWER: Plugged and reclaimed.

13174 LYNNE 2-14 43-02-03-19 Site Reclamation

ANSWER: The site has been reclaimed. The landowner next to the site specifically requested that Mr. Olson leave the road going in which he needs for access to another field. Mr. Olson will obtain a signed affidavit from the landowner regarding this. Site reclamation on this well should be approved.

13565 NERMOE 1-4 43-02-03-55 Abandonment of Wells

ANSWER: Well put back into service on October 7, 2004.

14510 SOLBERG 2-9

ANSWER: In production.



NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Lynn D. Helms  
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks  
ASSISTANT DIRECTOR

September 15, 2004

Mr. Warren Plunkett  
Minnesota Trust Company  
107 Oakland Avenue  
P.O. Box 463  
Austin, MN 55912

Re: First Heartland Bond No. FHS-0102-A

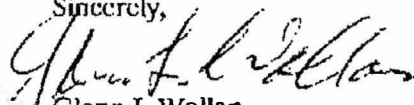
Dear Mr. Plunkett:

Enclosed please find a list of the wells on the above referenced bond that are operated by Turtle Mountain Gas & Oil (TMG&O) along with violations noted on certain wells. Violations on TMG&O wells have been the subject of two Commission complaint actions as well as other less formal enforcement proceedings. The Commission has attempted to work with TMG&O to correct the violations but progress on this of late has been minimal.

The above bond is conditioned on compliance with rules of the Administrative Code. Since TMG&O has not corrected the violations, we are requesting that Minnesota Trust/First Heartland, as surety for TMG&O proceed immediately to do so or, alternatively, forfeit the bond amount.

Please advise me within the next thirty days of your intentions and to discuss a compliance plan and timetable for the wells should you choose not to forfeit the bond.

Sincerely,



Glenn L. Wollan  
Field Supervisor

cc: Charles Carvell

CERTIFIED MAIL

46

<i>FILE</i>	<i>WELL NAME</i>	<i>VIOLATION</i>
4141	M. SOLBERG 1	43-02-03-55 Abandonment of Wells
8308	ROPER 1	
9098	KOK 1-13	43-02-03-55 Abandonment of Wells
10322	LERVIK 1	
10639	CASTOR-STATE 2	43-02-03-19 Site Reclamation
10794	GOODMAN-ROMSOS 1	43-02-03-55 Abandonment of Wells
10845	CHRISTENSON 1	43-02-03-55 Abandonment of Wells
11195	LERVIK 2-5	
11779	BRANDT GOODMAN 1-9	
11988	BRANDT/NERMOE 2-9	
12154	GOODMAN 3-9	43-02-03-22 Defective Casing
12684	LIEN 1-8	
12753	LIEN 2-8	
13174	LYNNE 2-14	43-02-03-19 Site Reclamation
13565	NERMOE 1-4	43-02-03-55 Abandonment of Wells
14510	SOLBERG 2-9	

**Bond Status T340**

**Operator:** TURTLE MOUNTAIN GAS & OIL, INC.

**Amount:** \$100,000.00

**Surety Co:** FIRST HEARTLAND SURETY & CASUALTY INS. C

**Max Wells:** Unlimited

**Surety No:** FHS-0102-A

**Comment:** CHECK W/BRUCE ON PERMITS & TRANSFERS

File	Name	Status	Type	Location	Last Activ	Months*
4141	M. SOLBERG 1	TA	OG	SWNE 9 160 78	04/2000	
8308	ROPER 1	A	OG	NESE 6 160 78	08/1981	1.5
9098	KOK 1-13	TA	OG	SWNW 13 152 80	08/1997	
10322	LERVIK 1	A	OG	SWSW 5 180 78	09/1983	1.5
10639	CASTOR-STATE 2	PA	OG	SWNW 16 159 90	09/1989	*
10794	GOODMAN-ROMSOS 1	AB	OG	SWSE 5 160 78	04/1984	84.7
10845	CHRISTENSON 1	AB	OG	NENW 8 160 78	11/1984	88.8
11195	LERVIK 2-5	A	OG	SESW 5 160 78	11/1984	1.5
11779	BRANDT GOODMAN 1-9	A	OG	SENW 9 160 78	11/1985	1.5
11988	BRANDT/NERMOE 2-9	A	OG	NENW 9 160 78	09/1986	1.5
12154	GOODMAN 3-9	IA	OG	NWNW 9 160 78	10/1987	8.6
12684	LIEN 1-8	PA	OG	NENE 8 152 88	08/2002	*
12753	LIEN 2-8	PA	OG	SENE 8 152 88	08/2002	*
13174	LYNNE 2-14	PA	OG	SWNW 14 152 88	08/2002	*
13565	NERMOE 1-4	AB	OG	SESE 4 160 78	10/1993	22.8
14510	SOLBERG 2-9	A	OG	NWNE 9 160 78	12/1996	1.5

	Wells	Site Restored	Number of Wells Plugged, Expired Permits Not Yet Restored.	Number of Wells Pending Minor Cleanup.
Active Wells	6	0		
Inactive Wells	1	0		
Temporarily Abandoned	2	0		
Current Permits	0	0		
Drilling Status	0	0		
Abandoned Wells	3	0		
P & A Wells	4	0	4	1
Dry Holes	0	0	0	0
Cancelled Permits	0	0	0	0
Expired Permits	0	0	0	0
<b>Totals</b>	<b>16</b>	<b>0</b>	<b>4</b>	<b>1</b>

\* If Well Status = PA or DRY, Last Activity will be the Well Status Date

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Lynn D. Helms  
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks  
ASSISTANT DIRECTOR

May 20, 2004

Mr. David Olson  
Turtle Mt. G&O, Inc.  
PO Box 4  
Bottineau, ND 58318-0004

RE: Nermoe #1-4  
SE SE 4-160N-78W  
Bottineau County, ND  
South Starbuck Field  
Well File No. 13565

Dear Mr. Olson:

Enclosed is a copy of correspondence dated January 27, 2004 from our office concerning abandonment of the above captioned well. To date we have not received procedures for plug and abandonment or a request for temporary abandonment status.

Please submit for approval plug and abandonment procedures or a request for temporary abandonment status for this well. If you have any questions, feel free to contact our office.

Sincerely,

*James C. Duffy*  
James C. Duffy  
Field Inspector

JCD/kl

Enclosure

49

NORTH DAKOTA INDUSTRIAL COMMISSION  
**OIL AND GAS DIVISION**

13565

Lynn D. Helms  
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks  
ASSISTANT DIRECTOR

January 27, 2004

Mr. David Olson  
Turtle Mt. G&O, Inc.  
PO Box 4  
Bottineau, ND 58318-0004

RE: Nermoe #1-4  
SE SE 4-160N-78W  
Bottineau County, ND  
Well File No. 13565

Dear Mr. Olson:

Our records indicate that the above captioned well has not produced in over a year and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce a well for a period of one year constitutes abandonment of the well. Any such well must be plugged and the site reclaimed.

Please place this well back into production or submit for approval plug and abandonment procedures. If the well is to be utilized in the future, a temporarily abandoned status may be granted, provided it can be demonstrated that the well is to be used for purposes related to the production of oil and gas. The temporarily abandoned status is for one year, with extensions upon application. Before a well is granted a temporarily abandoned status, the perforations must be isolated, the integrity of the casing proven, and its casing sealed at the surface, all in a manner approved by the director. A state field inspector must witness the mechanical integrity test. If you have any questions, feel free to contact our office.

Sincerely,

*James Dufty*  
James Dufty  
Field Inspector

JCD/kl

NORTH DAKOTA INDUSTRIAL COMMISSION  
**OIL AND GAS DIVISION**

13565

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

July 22, 2002

Mr. David L. Olson  
Turtle Mt. G&O, Inc.  
PO Box 4  
Bottineau, ND 58318

RE: Nermoe #1-4  
SE SE 4-160N-78W  
Well File No. 13565

M. Solberg #1  
SW NE 9-160N-78W  
Well File No. 4141

Dear Mr. Olson:

Our records indicate that the Nermoe #1-4 well has not produced since July 1998, and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce a well for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

Please place this well back into production or submit for approval plug and abandonment procedures. If the well is to be utilized in the future, a temporarily abandoned status may be granted, provided it can be demonstrated that the well is to be used for purposes related to the production of oil and gas. The temporarily abandoned status is for one year, with extensions upon application. Before a well is granted a temporarily abandoned status, the perforations must be isolated, the integrity of the casing proven, and its casing sealed at the surface, all in a manner approved by the director. The mechanical integrity test must be witnessed by a state field inspector.

In addition, the temporarily abandoned status for the M. Solberg #1 well has expired. Please place this well back into production, file plug and abandonment procedures for approval, or request an extension of the temporarily abandoned status. If you have any questions, feel free to contact our office.

Sincerely,

*James C. Duffy*  
James C. Duffy  
Field Inspector

JCD/kl

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NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

March 5, 2002

Mr. David L. Olson  
Turtle Mt. G&G, Inc.  
PO Box 4  
Bottineau, ND 58318

RE: Nermoe #1-4  
SE SE 4-160N-78W  
Well File No. 13565

M. Solberg #1  
SW NE 9-160N-78W  
Well File No. 4141

Dear Mr. Olson:

Our records indicate that the Nermoe #1-4 well has not produced since July 1998, and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce a well for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

Please place this well back into production or submit for approval plug and abandonment procedures. If the well is to be utilized in the future, a temporarily abandoned status may be granted, provided it can be demonstrated that the well is to be used for purposes related to the production of oil and gas. The temporarily abandoned status is for one year, with extensions upon application. Before a well is granted a temporarily abandoned status, the perforations must be isolated, the integrity of the casing proven, and its casing sealed at the surface, all in a manner approved by the director. The mechanical integrity test must be witnessed by a state field inspector.

In addition, the temporarily abandoned status for the M. Solberg #1 well has expired. Please place this well back into production, file plug and abandonment procedures for approval, or request an extension of the temporarily abandoned status. If you have any questions, feel free to contact our office.

Sincerely,

  
James C. Dufty  
Field Inspector

JCD/kj



NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION *13565*

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

October 19, 2000

Mr. Merton Peterson  
601 Nichol St.  
Bottineau, ND 58318-1439

Dear Mr. Peterson,

Enclosed you will find the information you requested by your letter of 9/26/2000.

North Dakota law does not require oil and gas operators to notify working interest owners by mail of an application to commingle production at a central tank battery. Our rules provide for notice to be given at least 15 days in advance by publication in one newspaper of general circulation in Bismarck, ND and in a newspaper of general circulation in all counties where the lands effected are situated. When the commingling cases were heard, there were no verbal or written objections entered into the record.

Please note on the allocation tests filed by Turtle Mountain Gas & Oil, Inc. that well testing is accomplished by shutting in 2 wells to test the third well. This procedure eliminates the need for the Lervik 1-5 "test" tank. The NDIC orders that approve central tank battery commingling of the South Starbuck and Southwest Starbuck wells allow for administrative approval of well test procedures. If new wells are to be added, notice, hearing, and an order of the commission is required.

You are correct in concluding that the NDIC Oil and Gas Division does not have jurisdiction over private contractual matters such as accounting for expenditures or distribution of revenues by crude oil purchasers to working interest owners.

The NDIC Oil and Gas Division inspects each tank battery monthly, but we do not create a report unless we identify a problem.

The NDIC Oil and Gas Division will continue to monitor these wells. If we can be of further assistance please let us know.

Sincerely,

Lynn D. Helms  
Director

- XC: Governor Schafer (without enclosures)
- Attorney General Heitkamp (without enclosures)
- Commissioner of Agriculture Johnson (without enclosures)

Place copy of this  
letter in:  
# 8308, 10322, 11195  
# 13565 + 14510  
Case 6934 + 6933

See Case 6934  
for enclosures  
53



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5749 (1-94)

Well File Number  
 14510 & 13565

600 East Boulevard  
 Bismarck, ND 58505

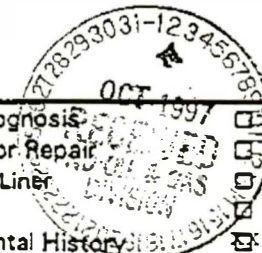
PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date Oct. 15, 1997

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Prognosis  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
 #13565 - Nermoe #1-4 & #14510 - Solberg #2-9

Footages	QTY-OR SESE NWNE	Section 4 & 9	Township 160 N	Range 78 W
Field South Starbuck	Pool Spearfish	County Bottineau		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor  
 Production Service

Address  
 Mohall

City  
 Mohall

State  
 N.D.

Zip Code  
 58761

DETAILS OF WORK

Turtle Mountain Gas & Oil, Inc. requests that we be allowed to join the Nermoe #1-4 and the Solberg #2-9 into the Goodman CTB. We would continue to measure the existing battery as in the past and put a test tank on the Nermoe and the Solberg lease and pump one well at a time into the test tank once a month to determine the allocated production for each well.

Enclosed is the diagram of the field with flow lines and test tanks to the Goodman CTB.

Company  
 Turtle Mountain Gas & Oil, Inc.

Address  
 P.O. Box 4

City  
 Bottineau

State  
 ND

Zip Code  
 58318

By *David L. Brown*  
 Date  
 Oct. 1, 1997

Title  
 President

Telephone Number  
 (701) 228-2417

FOR OFFICE USE ONLY

Received  Approved

Date  
12-03-97

By  
 ORIGINAL SIGNED BY  
 JAMES R. LEGERSKI

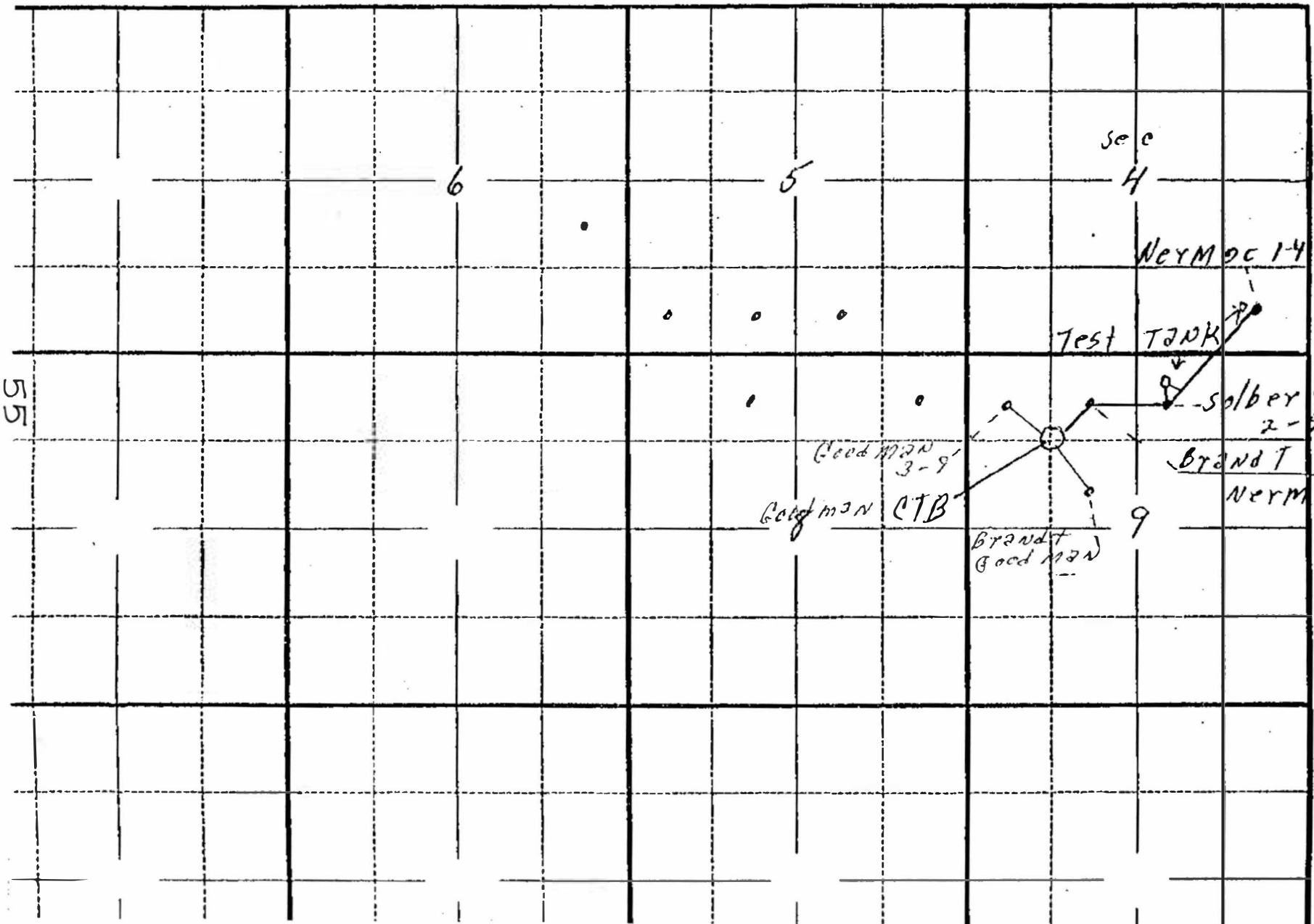
Title  
 Sr. Petroleum Engineer

160 N

78 W

County Bottineau

State ND



sec  
4

6

5

NERMCC 14

Test TANK

Solber 9  
2-9

Good Man  
3-9

Brandt

Goldman CTB

NERMCC

Brandt  
Good Man

9

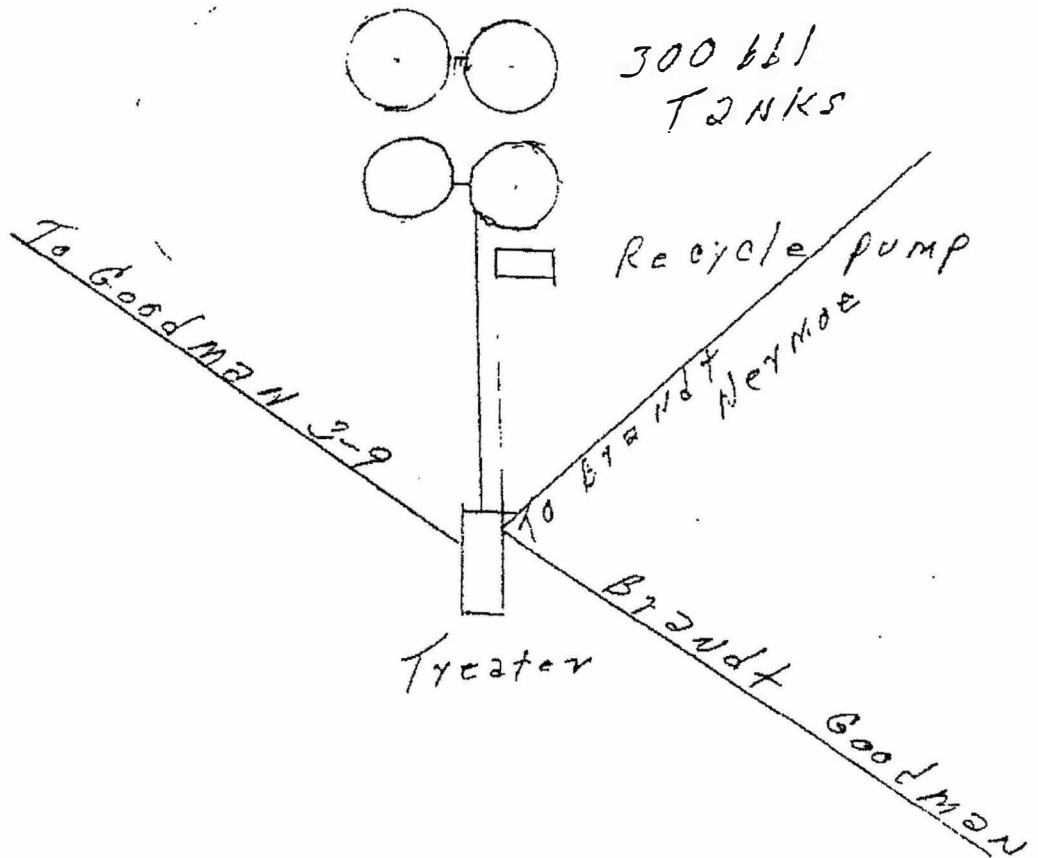
55

Goodman CTB

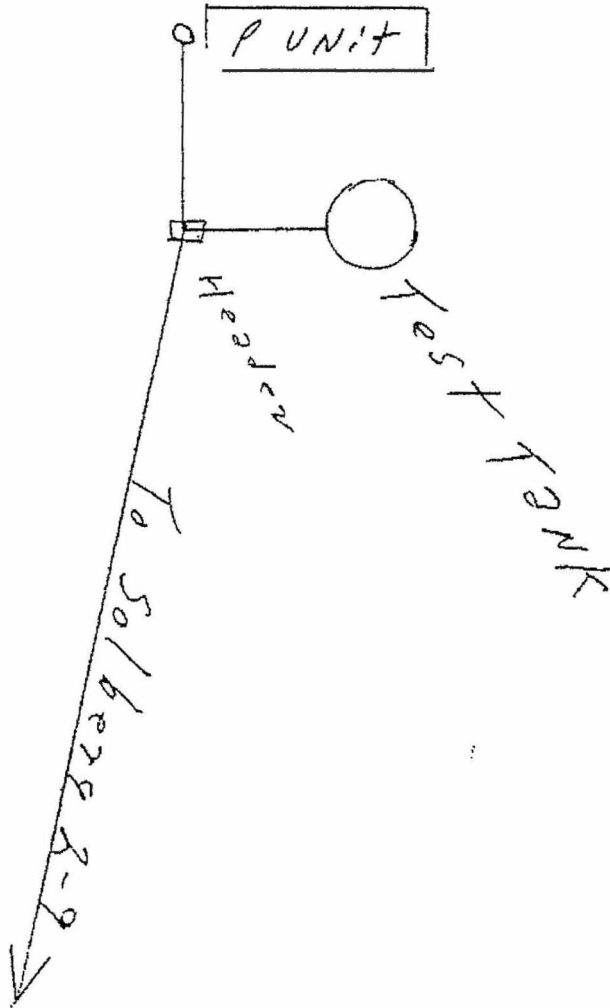
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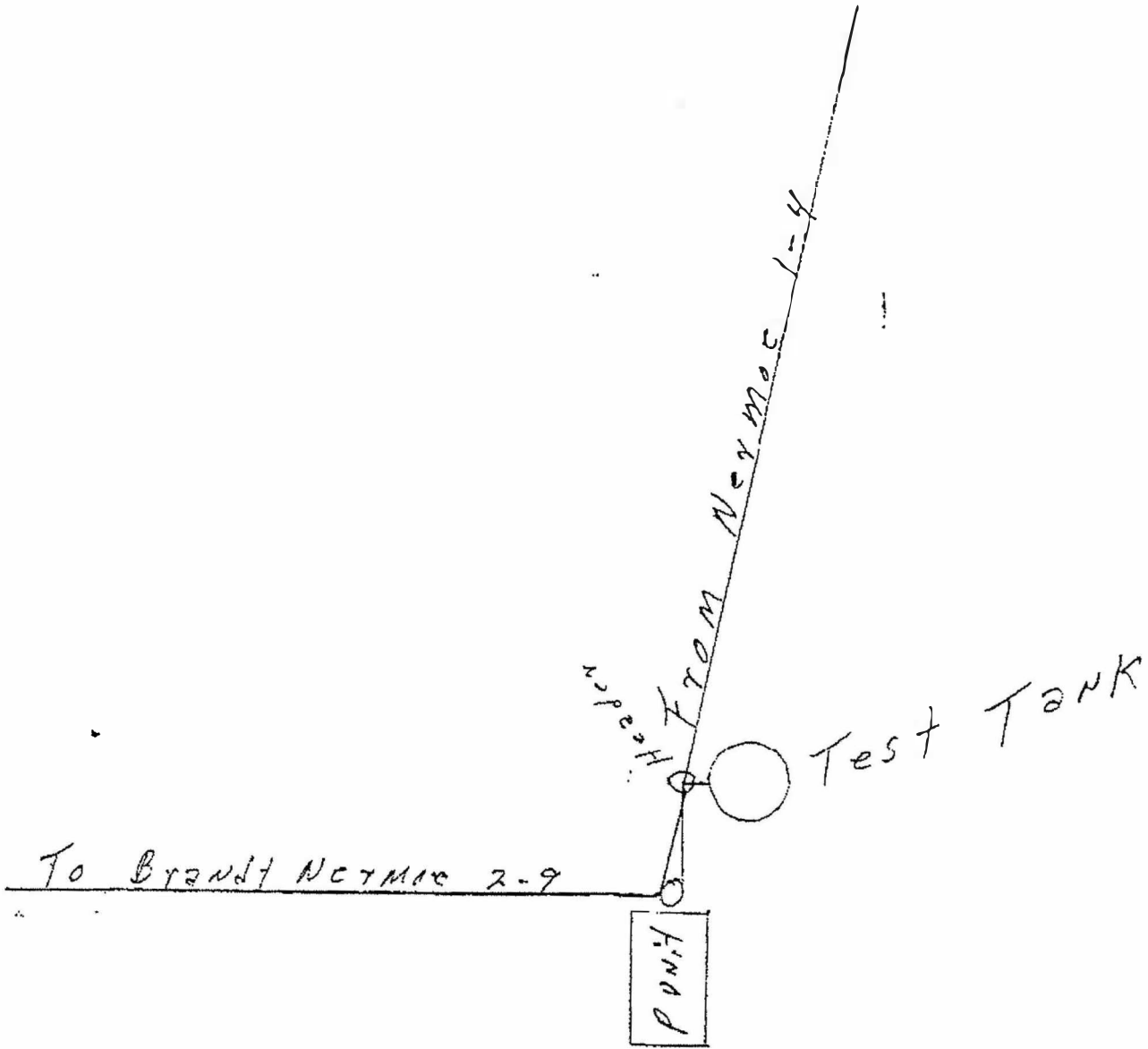
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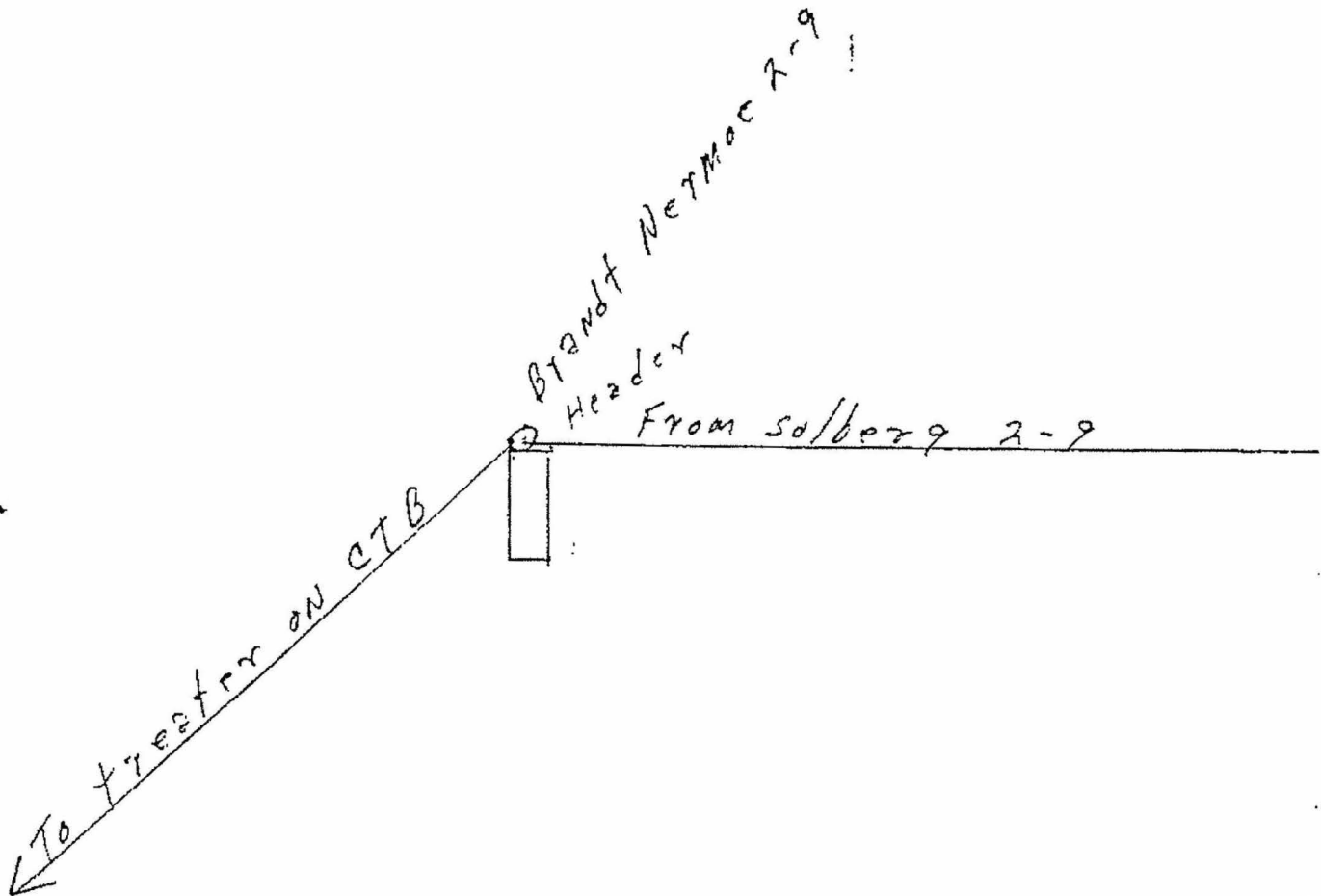


Normo 1-4



Solberg 2-9





NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

13565

Wesley D. Norton  
DIRECTOR

F.E. Wilborn  
ASSISTANT DIRECTOR

November 5, 1997

David Olson  
Turtle Mountain Gas & Oil, Inc.  
P.O. Box 4  
Bottineau, ND 58318

RE: CHANGE OF OPERATOR FROM PHILLIP D. ARMSTRONG TO  
TURTLE MOUNTAIN GAS & OIL, INC.  
#13565 - Nermoe #1-4

Dear Mr. Olson:

Please find enclosed a copy of the approved Form 15, Notice of Transfer of Oil and Gas Wells, in regard to the above-referenced matter. This transfer has now been approved and subject well is now covered by Turtle Mountain Gas & Oil, Inc. Bond No. FHS-0102-A, First Heartland Surety & Casualty Ins. Co., as Surety.

If you should have any questions, please feel free to contact this office.

Sincerely,

*F. E. Wilborn / MR*

F. E. Wilborn  
Assistant Director

FEW/mr

Enclosure

cc: Phillip D. Armstrong  
12 S. Main Street  
Minot, ND 58701

*LO*





**NOTICE OF TRANSFER OF OIL AND GAS WELLS - FORM 15**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5762 (8-94)



The original and one copy of this form with a fee of \$25.00 per well must be submitted at least thirty days before the closing date of transfer to the Industrial Commission of North Dakota, Oil and Gas Division, 600 E. Boulevard Avenue, Bismarck, North Dakota 58505-0840.

**TRANSFERRING COMPANY**

Name and Address of Representative <b>Phillip D. Armstrong</b>	Telephone Number <b>701-838-9422</b>
Name of Company Transferring Oil and/or Gas Wells	
I, the above named representative, acknowledge the transfer of the oil and/or gas wells named below for the purpose of ownership and/or operation to the company named below.	
<i>Phillip D. Armstrong</i> Signature	<b>January 3, 1997</b> Date
Title <b>(Must be an officer or power of attorney must be attached)</b>	

File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, Sec, Twp, Rge)	Assignment Date
13565	Nermoe #1-4	SE SE 04-160-078	1-03-97

**RECEIVING COMPANY**

Name and Address of Representative <b>Dave Olson</b>	Telephone Number <b>701-228-2417</b>
Name of Company Receiving Oil and/or Gas Wells <b>Turtle Mountain Gas &amp; Oil, Inc.</b>	
I, the above named representative, have read the foregoing statement and accept such transfer, also the responsibility of ownership and/or operation of said well or wells, under the said company bond, said bond being tendered to or on file with the Industrial Commission.	
<i>David L. Olson</i> Signature	<b>Oct. 7, 1997</b> Date
Title <b>President</b> <b>(Must be an officer or power of attorney must be attached)</b>	

Surety <b>MINNESOTA TRUST COMPANY</b>	Amount of Bond <b>\$100,000<sup>00</sup>/<sub>XX</sub></b>
Address of Surety <b>707 W. Oakland, P.O. Box 463 Austin, MN 55912</b>	
The above named SURETY agrees that such bond shall extend to compliance with Chapter 38-08 of North Dakota Century Code and amendments and the rules and regulations of the Industrial Commission of the State of North Dakota prescribed to govern the Production of oil and gas on government and private lands within the State of North Dakota, in relation to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased because of such extension.	
<i>James F. ...</i> Signature	<b>10/10/97</b> Date
Title <b>Vice Pres.</b> <b>(Must be an officer or power of attorney must be attached)</b>	

**FOR OFFICE USE ONLY**

Approved By <b>ORIGINAL SIGNED BY</b> <b>HE. WILSON</b> Assistant Director	Title	Date <b>NOV 5 1997</b>
---	-------	---------------------------



**PRODUCERS CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL FROM LEASE - FORM 8**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5698 (7-92)



Well File Number 13565
NDIC CTB Number 113565

**INSTRUCTIONS**

The original and four copies of this form must be submitted to the OIL AND GAS DIVISION, 601  
 Boulevard Avenue, Bismarck, ND 58505.

Well Name and Number Nermoe #1-4	Qtr-Qtr SESE	Section 4	Township 160N	Range 78W	County Bottineau
Company Name Turtle Mountain Gas & Oil, Inc.		Field South Starbuck			
Address P.O. Box 4		City Bottineau		State ND	Zip Code 58318

Name of First Purchaser Koch Oil Company	% Purchased 100	Date Effective 11-1-97
Principal Place of Business Box 2256	City Wichita	State KS
Field Address Westhope	City Westhope	State ND
Name of Transporter Koch Industries	% Transported 100	Date Effective 11-1-97
Address Westhope	City Westhope	State ND

The above named producer authorizes the above named purchaser to purchase the percentage of oil stated above which is produced from the lease designated above until further notice. The oil will be transported by the above named transporter.

Other Transporters Transporting From This Lease	% Transported	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective

Remarks

I certify that the above information is a true and correct report of the transporters and purchasers of oil produced from the above described property. This authorization will be valid until further notice to the transporters and purchasers named until cancelled by the seller

Signature <i>David L. Olson</i>	Title President	Date 11-4-97
------------------------------------	--------------------	-----------------

STATE OF North Dakota )  
 )ss  
 COUNTY OF Bottineau )

Notary Seal

On Nov. 4th, 19 97, David L. Olson, known to me to be the person described in and who executed the foregoing instrument, personally appeared before me and acknowledged that (s)he executed the same as a free act and deed.

*Darlene M. Olson*  
 My Commission Expires October 19, 1999  
 Notary Public Darlene M. Olson

**FOR OFFICE USE ONLY**

Approved By <i>Charles A. Hoch</i>	Title <i>Eng. Supr.</i>	Date 11/3/97
---------------------------------------	----------------------------	-----------------

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 12, 1997

Mr. Phillip D. Armstrong  
12 S. Main Street  
Minot, ND 58701

RE: Swift #31-4  
NW NE Sec. 4-158N-81W  
Well File No. 13304

Nermoe #1-4  
SE SE Sec. 4-160N-78W  
Well File No. 13565

Dear Mr. Armstrong:

The above captioned wells are in violation of Section 43-02-03-17 of the North Dakota Administrative Code (Sign on Well). A copy of this rule has been enclosed for your convenience.

Please have these signs posted as soon as possible. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/k1

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NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 26, 1996

Phillip D. Armstrong  
12 S. Main Street  
Minot, ND 58701

RE: CHANGE OF OPERATOR FROM EOG (NEW MEXICO) INC. TO  
PHILLIP D. ARMSTRONG  
13 WELLS

Dear Mr. Armstrong:

Please find enclosed a copy of the approved Form 15, Notice of Transfer of Oil and Gas Wells, in regard to the above-referenced matter. These transfers have now been approved and subject wells are now covered by Phillip D. Armstrong Bond No. U2473885, United Pacific Ins. Co., as Surety.

If you should have any questions, please feel free to contact this office.

Sincerely,

*F. E. Wilborn /mr*

F. E. Wilborn  
Assistant Director

FEW/mr

Enclosure

cc: J.M. STAGGS  
EOG (NEW MEXICO) INC.  
621-17TH ST STE 1800  
DENVER CO 80293

64

FORM 16  
SFN 5762

North Dakota State Industrial Commission  
Oil and Gas Division  
900 EAST BOULEVARD - BISMARCK, NORTH DAKOTA - 58505



NOTICE OF TRANSFER OF OIL & GAS WELLS

I, J. M. Staggs, of EOG (New Mexico) Inc. (Company)  
do hereby acknowledge the transfer for the purpose of ownership and/or operation of the following oil and/or gas wells to  
Phillip D. Armstrong (Company)

OFFICIAL WELL NAME

LOCATION

SEE ATTACHED EXHIBIT "A"

By J. M. Staggs  
J. M. Staggs  
Its President

I, Phillip D. Armstrong  an individual ~~(Company)~~  
have read the foregoing statement and accept such transfer, also, the responsibility of ownership and/or operation of said well  
or wells.

By Phillip D. Armstrong  
Phillip D. Armstrong  
Its \_\_\_\_\_

Phillip D. Armstrong as Principal, and United Pacific Insurance Co. Surety, on a  
drilling bond in the penalty of \$100,000, (amount of bond) executed on January 15,  
19 96 in favor of the State of North Dakota, hereby agree that such bond shall extend to compliance with Chapter 38-08 of  
N.D. Century Code and amendments thereto and the rules and regulation of the Industrial Commission of the State of North  
Dakota prescribed to govern the Production of oil and gas on state and private lands within the State of North Dakota, in relation  
to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased  
because of such extension.

Phillip D. Armstrong (Principal)  
UNITED PACIFIC INSURANCE COMPANY  
By: Mary L. Charles (Surety)  
Mary L. Charles, Attorney-in-Fact

Do not write in this space.

Approved FEB 2 1966 19\_\_\_\_\_  
By F E Williams  
Title Assistant Director



Attachment to Form 15

EXHIBIT A

ND FILE	WELL NAME	LOCATION	FIELD	ASSIGNMENT DATE
4398	Colcord Estate #1,	NENE 25-158-82	Glenburn	
4405	Colcord Estate #2,	SWNE 25-158-82	Glenburn	
7582	Colcord Estate #3,	SENE 25-158-82	Glenburn	
7617	Colcord Estate #4,	NWNE 25-158-82	Glenburn	
4354	Kjonaas Baker #1,	NENW 30-158-81	Glenburn	
4393	Kjonaas Baker #2,	SWNW 30-158-81	Glenburn	
7581	Kjonaas Baker #3,	NWNW 30-158-81	Glenburn	
8383	Kjonaas Baker #4,	SENW 30-158-81	Glenburn	
90054	Kjonaas SWD,	NENW 30-158-81	Glenburn	
13351	Triplett #1-2,	NESE 02-159-86	Ivanhoe	
4803	Lewis Mann #1,	W2NW 12-155-86	Lone Tree	
13304	Swift #31-4,	NWNE 04-158-81	Prescott	
13565	Nermoe #1-4,	SESE 04-160-78	S. Starbuck	

Lolo



**PRODUCERS CERTIFICATE OF COMPLIANCE AND  
AUTHORIZATION TO TRANSPORT OIL FROM LEASE FORM 8**  
INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
SFN 5698 (7-92)

**INSTRUCTIONS**

The original and four copies of this form must be submitted to the OIL AND GAS DIVISION, 600 E. Boulevard Avenue, Bismarck, ND 58505.



Well File Number 13565
NCIC CTB Number 113565

Well Name and Number <b>Nermoe #1-4</b>	Qtr-Qtr <b>SESE</b>	Section <b>4</b>	Township <b>160</b>	Range <b>78</b>	County <b>Bottineau</b>
Company Name <b>Phillip D. Armstrong</b>		Field <b>South Starbuck</b>			
Address <b>12 S. Main Street</b>		City <b>Minot</b>		State <b>ND</b>	Zip Code <b>58701</b>

Name of First Purchaser <b>Murphy Oil USA</b>	% Purchased <b>100</b>	Date Effective <b>Jan. 1996</b>
Principal Place of Business <b>200 Peach Street</b>	City <b>El Dorado</b>	State <b>AR</b>
Field Address <b>1580 Lincoln Street #1250</b>	City <b>Denver</b>	State <b>CO</b>
Name of Transporter <b>Ritte Trucking</b>	% Transported <b>100</b>	Date Effective <b>Jan. 1996</b>
Address <b>RR 2, Box 45B</b>	City <b>Westhope</b>	State <b>ND</b>

The above named producer authorizes the above named purchaser to purchase the percentage of oil stated above which is produced from the lesse designated above until further notice. The oil will be transported by the above named transporter.

Other Transporters Transporting From This Lease	% Transported	Date Effective
Other Transporters Transporting From This Lease	% Transported	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective
Other First Purchasers Purchasing From This Lease	% Purchased	Date Effective

Remarks
---------

I certify that the above information is a true and correct report of the transporters and purchasers of oil produced from the above described property. This authorization will be valid until further notice to the transporters and purchasers named until cancelled by the \_\_\_\_\_

Signature 	Title	Date
---------------	-------	------

STATE OF North Dakota  
COUNTY OF Ward )  
                                  ) ss

Notary  
Seal

On January 24, 1996 Phillip D. Armstrong known to me to be the person described in and who executed the foregoing instrument, personally appeared before me and acknowledged that (s)he executed the same as a free act and deed.

	My Commission Expires <u>7-26-2000</u>
--	--

Approved By 	Title 	Date <u>2/29/96</u>
-----------------	-----------	------------------------

67



**CORE AND SAMPLE VERIFICATION**  
NORTH DAKOTA GEOLOGICAL SURVEY  
SFN 17390 (1-90)

Name of Operator Ensign Oil & Gas		Date 10-13-94	
Address	City	State	Zip Code
The core/samples for the following well have been received by the North Dakota Geological Survey.			
Well Name Nermoc 1-4	Location SESE 4-160-78	NDGS Well Number 13365	
Comments Samples Received: DC 3000-3390			

Received By

Signature

Kent Hollands

Print Name



NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

13565

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP

September 20, 1994

Ms. Lynnette Jones  
Revenue Accountant  
Ensign Oil & Gas Inc.  
621 17th Street  
Suite 1800  
Denver, CO 80293

RE: "NEW WELL"  
Nermoe #1-4  
SE SE Sec. 4-160N-78W  
Bottineau County  
Permit #13565


Dear Ms. Jones:

Information contained in the records and files of the Industrial Commission indicate that the above captioned well was spud August 17, 1993 and completed in the Spearfish Pool on October 6, 1993.

Such information further indicates that zero barrels of test oil were produced from the well prior to completion.

If there are any questions, please do not hesitate to contact this office.

Sincerely,

  
James R. Legerski  
Senior Petroleum Engineer

cc: Tax Dept.

13565

ENSIGN OIL & GAS INC.

821 SEVENTEENTH STREET, SUITE 1800  
DENVER, COLORADO 80293  
(303) 293-9999

September 15, 1994

Mr. Jim Legerski  
North Dakota Industrial Commission  
Oil & Gas Division  
600 East Blvd.  
Bismarek, ND 58505

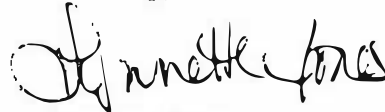
Dear Jim:

The following well information is provided to you with the request to make a new well designation.

Name: Nermoe #1-4  
Location: Section 4, T-160N, R-78W,  
Bottineau County, North Dakota  
API #: 33-009-01946  
Spud Date: 8/17/93  
Completion Date: 9/29/93  
Pool: State "A"  
Field: SW Starbuck

Should you require any additional information concerning this determination, please call me at (303) 293-9999.

Sincerely,



Lynnette Jones,  
Revenue Accountant

cc: Murphy Oil Company  
200 Peach Street  
El Dorado, AK 71730



EOG (New Mexico) Inc.

621 SEVENTEENTH STREET, SUITE 1800  
DENVER, COLORADO 80293  
(303) 293-9959

October 12, 1993

North Dakota Industrial Commission  
Oil & Gas Division  
600 East Boulevard  
Bismarck, ND 58505

RE: Tight Hole Status Request  
Nermoe #1-4  
SESE Section 4-T160N-R78W  
Bottineau County, ND

Dear Sir or Madam:

Enclosed please find Form 6 (Well Completion or Recompletion Form), DST's, and logs on the above-referenced well. We request that all information regarding this well be held in "Tight Hole-Confidential" status.

Thank you for your cooperation. If you have any questions regarding this request or information, please feel free to contact Jerry Simmons at the above address or telephone number.

Sincerely,

*Conni Smith*

Conni Smith  
Sr. Engineering Technician

Encl.



Form 6 NORTH DAKOTA STATE INDUSTRIAL COMMISSION  
Oil and Gas Division  
900 East Boulevard, Bismarck, ND 58505

Well File No. 13565  
Date Issued 7-13-93

SEFV 2465  
WELL COMPLETION OR RECOMPLETION REPORT  
(Submit in Triplicate)

Designate type of completion  
OIL WELL  GAS WELL  OTHER  SAME RESVR   
NEW WELL  WORK OVER  DEEPEN  PLUG BACK  OTHER  DIFF. RESVR

Well Name & No. Nermoe #1-4  
Spacing (Unit Description) SESE Sec. 4-T160N-R78W

OPERATOR EOG (New Mexico) Inc. Field SW Star-buck

ADDRESS 621 17th Street, Suite 1800, Denver, Colorado 80293 Pool: State "A"

LOCATIONS (Show quarter-quarter, footages, and section, township and range.)  
At surface SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W  
At top prod. interval, reported below  
At total depth SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W  
SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W

Wildcat, Development Wildcat  
County Bottineau

Date Spudded	Date TD Reached	Date Comp. (ready to Prod)	Elevation (KB, DF, GR)	Total Depth (MD & TVD)	Plug Back (TD, MD, TVD)
8-17-93	8-23-93	9-29-93	1461 GR	3390	3335

PRODUCING INTERVAL(S), THIS COMPLETION, TOP, BOTTOM, NAME (MD & TVD)  
Spearfish 3244-3278  
No. of DST's Run (see back) 1  
Date Directional Survey Submitted N/A

TYPE ELECTRIC AND OTHER LOGS RUN (See instructions)  
Dual Laterolog Microspherically Focused Log - Dual Spaced Neutron Spectral Density Log  
Was Well Cored No

CASING RECORD (Report all strings set in well)

Casing Size	Depth Set (MD)	Hole Size	Weight Lbs./Ft.	Sacks Cement	Amount Pulled
8 5/8	339	12 1/4	24	205	None
5 1/2	339 3390	7 7/8	15.5	125 & 100	None
Tailin					

LINER RECORD

Size	Top (MD)	Bottom (MD)	Sacks Cement	Screen (MD)

TUBING RECORD

Size	Depth Set (MD)	Packer Set (MD)
2 3/8	3271	

PERFORATION RECORD

Depth Interval (MD)	Holes per ft.	Size and Type	Purpose	Amt. & Kind of Material Used	Depth Interval (MD)
3259-66 Spearfish	4	Max Chgs		500 gals 15% HCl Ne 1000 gal PEN-88 & Clay Sta 60 gal 15% HCl Ne 500 gal 15% HCl Ne FRAC: 7500 gal = 5000 gal	3259-66

ACID, SHOT, FRAC., CEMENT SQUEEZE, Etc.

PRODUCTION Boragel & 2500 gal wtr frac-20/40sd-500 gal

Date First Production 10-6-93  
Producing Method (Flowing, gas, lift, pumping - size & type of pump) Pumping  
Well Status (Prod. or shut-in) Producing

Date of Test	Hours Tested	Choke Size	Production For Test	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Oil Gravity - API (Corr.)
10-6-93	24			8	---	50	28°r

Flow, Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Gas-Oil Ratio
			8	---	50	

DISPOSITION OF OIL & GAS (Purchaser and Transporter)  
Produce to test tank for 30-45 days  
Test Witnessed By

LIST OF ATTACHMENTS  
Logs  
DST  
Geological Report  
Letter of Confidentiality

72  
Over to Complete Form





Form 6 NORTH DAKOTA STATE INDUSTRIAL COMMISSION  
Oil and Gas Division  
900 East Boulevard, Bismarck, ND 58505

Well File No. 13565  
Date Issued 7-13-93

SEF 2468 WELL COMPLETION OR RECOMPLETION REPORT  
(Submit in Triplicate)

Designate type of completion OIL WELL  GAS WELL  OTHER \_\_\_\_\_ SAME RESVR   
NEW WELL  WORK OVER  DEEPEN  PLUG BACK  OTHER \_\_\_\_\_ DIFF RESVR

Well Name & No. Nermoe #1-4  
Spacing (Unit Description) SESE Sec. 4-T160N-R78W

OPERATOR EDG (New Mexico) Inc. Field South ~~SW~~ Starbuck  
ADDRESS 621 17th Street, Suite 1800, Denver, Colorado 80293 Pool Spearfish State "A" **TIGHT HOLE**

LOCATIONS (Show quarter-quarter, footages, and section, township and range.)  
At surface SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W  
At top prod. interval, reported below  
At total dept. SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W  
SESE 660' FSL & 660' FEL Sec. 4-T160N-R78W  
Wildcat, Development Wildcat Extension  
County Bottineau

Date Spudded	Date TD Reached	Date Comp. (ready to prod)	Elevation (KB, CF, GR)	Total Depth (MD & TVC)	Plug Back (TD, MD, TVD)
8-17-93	8-23-93	9-29-93	1461 GR	3390	?

PRODUCING INTERVAL(S), THIS COMPLETION, TOP, BOTTOM, NAME (MD & TVD) Spearfish 3244-3278  
No. of DST's Run (see back) 1  
Date Directional Survey Submitted N/A

TYPE ELECTRIC AND OTHER LOGS RUN (See instructions) Dual Laterolog Microspherically Focused Log - Dual Spaced Neutron Spectral Density Log  
Was Well Corec No

CASING RECORD (Report all strings set in well)

Casing Size	Depth Set (MD)	Hole Size	Weight Lbs./Ft.	Sacks Cement	Amount Pulled
8 5/8	339	12 1/4	24	205	None
5 1/2	3398	7 7/8	15.5	125 & 100	None
	<i>depth from TD?</i>			Tailin	

LINER RECORD

Size	Top (MD)	Bottom (MD)	Sacks Cement	Screen (MD)	Size	Depth Set (MD)	Packer Set (MD)
					2 3/8	3271	

PERFORATION RECORD

Depth Interval (MD)	Holes per ft.	Size and Type	Purpose	Amt. & Kind of Material Used	Depth Interval (MD)
3259-66 Spearfish	4	Max Chgs		500 gals 15% HCl Ne 1000 gal PEN-88 & Clay Sta 60 gal 15% HCl Ne 500 gal 15% HCl Ne FRAC: 7500 gal = 5000 gal	3259-66

ACID, SHOT, FRAC., CEMENT SQUEEZE, Etc.

PRODUCTION Boragel & 2500 gal wtr frac-20/40sd-500 gal

Date First Production	Producing Method (Flowing, gas, lift, pumping - size & type of pump)	Well Status (Prod. or shut-in)
10-6-93	Pumping	Producing

Date of Test	Hours Tested	Choke Size	Production For Test	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Oil Gravity - API (Corr.)
10-6-93	24			8	---	50	28° F

Flow, Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Gas-Oil Ratio
			8	---	50	

DISPOSITION OF OIL & GAS (Purchaser and Transporter) Produce to test tank for 30-45 days  
Test Witnessed By

LIST OF ATTACHMENTS  
Logs  
DST  
Geological Report  
Letter of Confidentiality

Over to Complete Form

w/1  
fr  
w/1  
sd  
screened out

GEOLOGIC MARKERS

Name	Measured Depth of Formation	True Vertical Depth
Piper	2776	
Spearfish	3077	
Unconformity	3272	
Midale Por	3292	
State "A"	3342	

DRILL STEM TEST DATA

SEE ATTACHED

I hereby swear or affirm that the information herein provided is true, complete and correct as determined from all available records.

Connie Smith Sr. Engineering Technician 10/12/93  
 Connie Smith Signature Title Date

State of COLORADO )  
 ) ss  
 County of DENVER )

On this 12<sup>th</sup> day of October, 19 93, before me personally appeared

Connie Smith to me known as the person described in and who executed the foregoing instrument

and acknowledged that (s)he executed the same as his/her free act and deed.

Notary Seal

Pamela F. Campbell  
 Notary Public Pamela F. Campbell  
 State of Colorado County of Denver  
 My Commission expires 9-30-94

INSTRUCTIONS

1. Within thirty (30) days after the completion of a well, or recompletion of a well in a different pool, the original and three copies of this report must be filed with the North Dakota Industrial Commission, Oil and Gas Division.
2. Immediately after the completion or recompletion of a well in a pool or reservoir not then covered by an order of the commission, the original and three copies of this report must be filed with the North Dakota Industrial Commission, Oil and Gas Division.
3. The owner or operator shall file with the Oil and Gas Division three copies of the following: all logs run, drill stem test reports and charts, formation water analysis and noninterpretive lithologic logs or sample descriptions if compiled.

PRODUCERS CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO  
TRANSPORT OIL FROM LEASE

WELL Nermoe 1-4(sec.) 4 (TWP.) 160N (RGE.) 78W COUNTY Bottineau

PRODUCER EOG (New Mexico) Inc. FIELD Wildcat POOL State "A"

ADDRESS CORRESPONDENCE TO Conni Smith

STREET 621 17th St #1800 CITY Denver STATE CO 80293

THE ABOVE NAMED PRODUCER HEREBY AUTHORIZES Scurlock Permian  
(Name of Purchaser)

WHOSE PRINCIPAL PLACE OF BUSINESS IS P O Box 1528, Denver, CO 80222  
(Street) (City) (State)

AND WHOSE FIELD ADDRESS IS P O Box 2358, Williston, ND 58801

TO TRANSPORT 100 % OF THE OIL PRODUCED FROM THE LEASE DESIGNATED ABOVE UNTIL  
FURTHER NOTICE

THE OIL WILL BE TRANSPORTED BY Scurlock Permian  
(Name of Transporter)

OTHER PURCHASERS TRANSPORTING OIL FROM THIS LEASE ARE:

N/A % N/A %  
(Name of Purchasers) (Name of Purchasers)

REMARKS:


The undersigned certifies that the rules and regulations of the State Industrial Commission have been complied with except as noted above and that the purchaser is authorized to transport the above percentage of oil produced from the above described property and that this authorization will be valid until further notice to the purchaser named herein until canceled by the Operator/Producer - EOG (New Mexico) Inc.

Executed this 15th day of October, 19 93 . EOG (New Mexico) Inc.  
(Company or Operator)

STATE OF COLORADO )  
) ss Conni Smith Sr. Engineering Tech.  
COUNTY OF DENVER ) (Signature) Conni Smith (Title)

Before me the undersigned authority, on this day personally appeared Conni Smith known to me to be the person whose name is subscribed to the above instrument, who being by me duly sworn on oath states that he/she/it make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me this the 15th day of October, 19 93 .

 Kristina Rayl  
My Commission Expires 11-21-93 Notary Public in and for COLORADO

Approved by: Charles A. Fosh 10/18/93  
(Deputy Enforcement Officer) (Date)



13565

Phone (303) 721-1400

VIRG'S DST, INC.

6920 S. Holly Cr. #150 Englewood, CO 80112

Contractor: Kenting  
Rig No.: 9  
Spot: SE-SE  
Sec: 4  
Twp: 160N  
Rng: 78W  
Field: S. Starbuck  
County: Bottineau  
State: N. Dakota  
Elevation: 1472' KB  
Formation: Spearfish  
On Location: 02:00, 8-21

Surface Choke: .25"  
Bottom Choke: .75"  
Hole Size: 7.875"  
Core Hole Size: --  
DP Size & Wt.: 4.5" 16.6  
Wt. Pipe: --  
I.D. of DC: 2.375"  
Length of DC: 640'  
Total Depth: 3278'  
Test Type: Conventional  
Interval: 3244-3278'  
Off Location: 16:00, 8-21

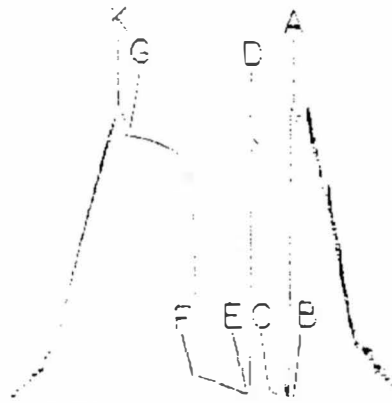
Mud Type: Salt-Stch  
Weight: 9.9  
Viscosity: 51  
Water Loss: 9.0  
Filter Cake: 2/32  
R.W.: .05 @ 72 F  
140000 ppm Cl  
B.H.T.: 110 F  
Date: 8-21-93  
Co. Rep.: J. Sanderson  
Tester: J. Holsten  
Ticket No.: 1799

Opened Tool @ 08:25  
Flow #1: 15 min  
Shutin #1: 26 min  
Flow #2: 60 min  
Shutin #2: 88 min



Recorder: Kuster AK1  
No: 11016 Cap: 4300  
Depth: 3250'  
Outside Recorder  
Clock No: 23796  
Clock Cap: 18 hr.

IH A 1730 psi  
FH K 1709 psi  
IF#1 B 51 psi  
FF#1 C 94 psi  
SI#1 D 1576 psi  
IF#2 E 94 psi  
FF#2 F 182 psi  
SI#2 G 1592 psi



PIPE RECOVERY: 370' Total Fluid - 2.04 bbls.  
130' Gas cut & highly mud cut oil - .72 bbls  
60' Oil & gas cut muddy water - .33 bbls.  
180' Muddy water w/trace of oil - .99 bbls.

SURFACE BLOW:  
1st flow: Tool opened with a .5" blow, 2" blow in 5 mins., and remained throughout the flow period.  
2nd flow: Tool opened with a .5" blow, 1" blow in 5 mins., 1.5" blow in 10 mins., 2" blow in 15 mins., 2.5" blow in 30 mins., 2" blow in 45 mins., and a 2" blow at the end of the flow period.

SAMPLER RESULTS

Pressure: 75 psi  
Volume: 2200 cc  
Oil: 500 cc  
Water: 1700 cc  
Mud: Trace cc  
Gas: -- ft3  
Other: -- cc  
(10ppm Nitrates)  
RW: .08 @ 68 F  
102000 ppm Cl  
Oil Grav: 28 @ 66F  
GOR: -- cf/tb  
Drained: Location

\*\*\*\* TIGHT HOLE \*\*\*\*

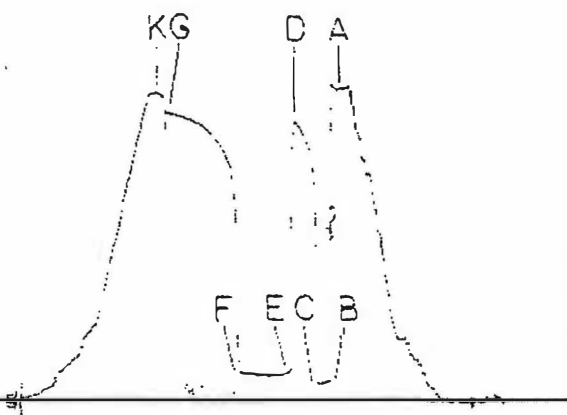
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Operator.....:  
Well.....:  
DST Number...:

EOG (N.MEXICO), INC.  
NERMOE #1-4  
1

Recorder: Kuster AK-1  
No:13591 Cap: 3925  
Depth: 3217'  
Clock No: 25843  
Clock Cap: 18 hr.  
Inside Recorder

IH	A	1716	psi
FH	K	1696	psi
IF#1	B	85	psi
FF#1	C	77	psi
SI#1	D	1555	psi
IF#2	E	124	psi
FF#2	F	169	psi
SI#2	G	1571	psi



PIPE RECOVERY:

Middle Sample RW: .07 @ 70 F - 115000 ppm Cl (20ppm Nitrates)  
Bottom Sample RW: .08 @ 68 F - 102000 ppm Cl (10ppm Nitrates)

Grindouts:

Top Sample: 2% basic sediment, 48% mud, 20% water,  
30% oil-mud emulsion.  
Middle Sample: 2% basic sediment, 22% mud, 20% water,  
46% oil-mud emulsion, & 10% free oil.

Virg's DST, Inc.

WELL TEST ANALYSIS REPORT

WELL: Nermoe #1-4 \* DST#1 \* Rec#11016 @ 3250 ft.  
FILE NAME: C:\QWIC\17992.QWD

CLIENT: EOG (N.Mexico), Inc.  
FIELD: S. Starbuck  
LOCATION: 4-160N-78W \* Bottineau, ND  
TEST DATE: 8-21-93  
TEST START TIME: 2nd Shutin  
TEST OPERATOR: J. Holsten  
GAUGE TYPE: Kuster AK-1  
GAUGE SERIAL NO.: 11016  
TEST ANALYST: Virg's DST, Inc.  
TIME UNITS: Min  
WELL RADIUS: 3.94 in  
DRAINAGE RADIUS: 1000.0 ft  
RESERVOIR TEMP.: 110.0 deg F  
VISCOSITY: 1.7200 cp  
PRODUCTION TIME: 1.3 hrs  
PWF @ TIME=0: 182.0 psi  
COMMENTS: Interval: 3244-3278 ft.  
TEST TYPE: Buildup  
FLUID TYPE: Liquid  
FORMATION THICKNESS: 9.0 ft  
POROSITY: 0.100  
ct, 10\*\*<sup>-6</sup> /psi: 17.00  
B: 1.030 RB/STB  
WELL FLOW RATE: 39.2 STBD

RESULTS FROM CONVENTIONAL ANALYSIS

PERMEABILITY: 3.9 md  
kh: 35.3 md-ft  
SKIN FACTOR: 0.5  
delta P SKIN: 148.9 psi  
PRESSURE @1hr: 1565.2 psi  
PSTAR: 1677.7 psi  
FE(PSTAR): 0.900  
SLOPE: 319.4  
delta T MAX: 1.5 hrs  
RADIUS OF INVEST.: 45.6 ft

Nermoe #1-4 \* DST#1 \* Rec#11016 @ 3250 ft.

HORNER ANALYSIS

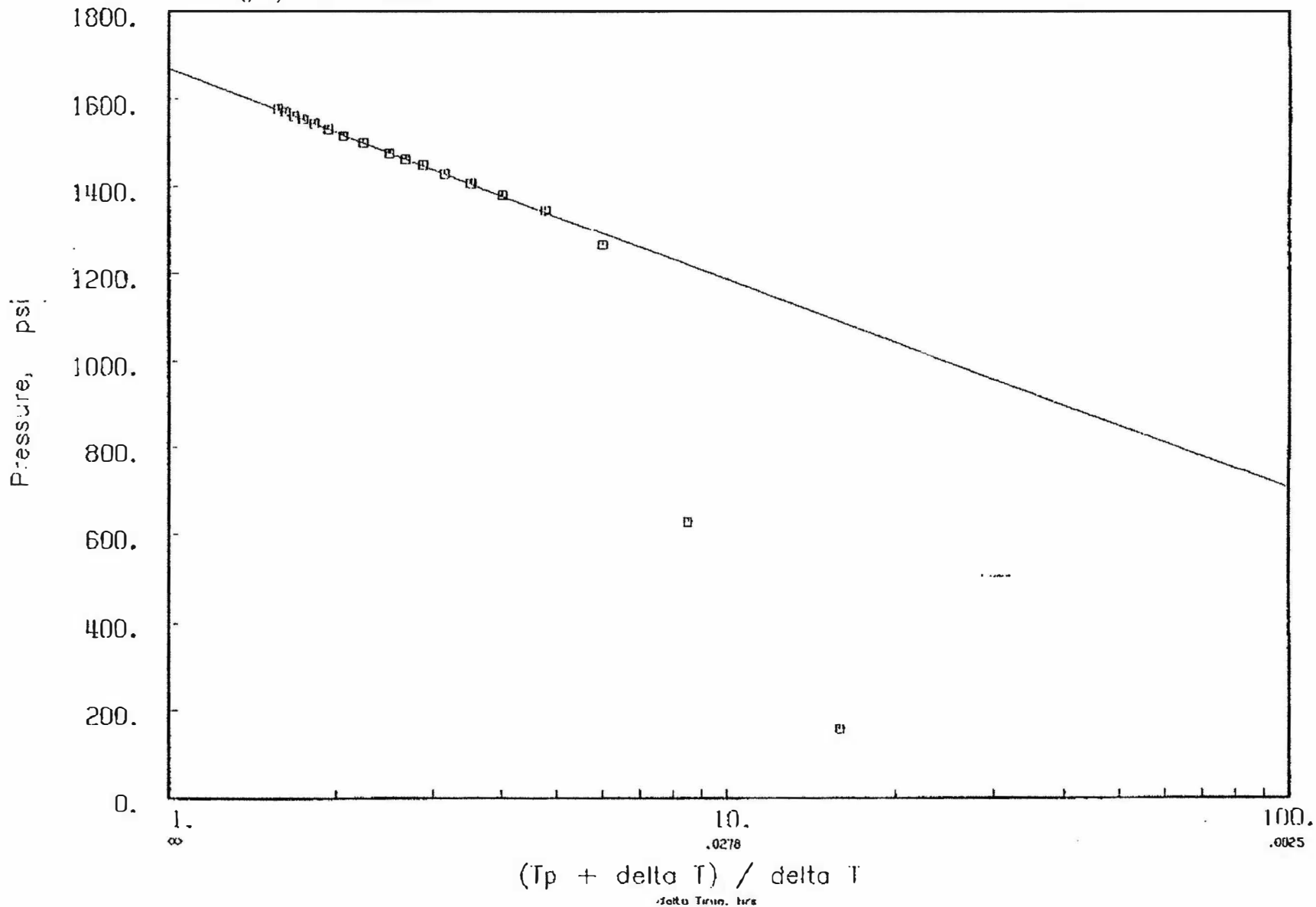
File name.....: C:\QWIC\17991.QWI

Test date.....: 8-21-93

Test time.....: 1st Shutin

Slope .....: 480.93

Pstar (psi).....: 1669.2



08

Nermoe #1-4 \* DST//1 \* Rec//110,16 @ 3250 ft.

HORNER ANALYSIS

File name.....: C:\QWIC\17992.QWD

Test date.....: 8-21-93

Permeability (md)..: 3.93

Skin.....: .54

Test time.....: 2nd Shulin

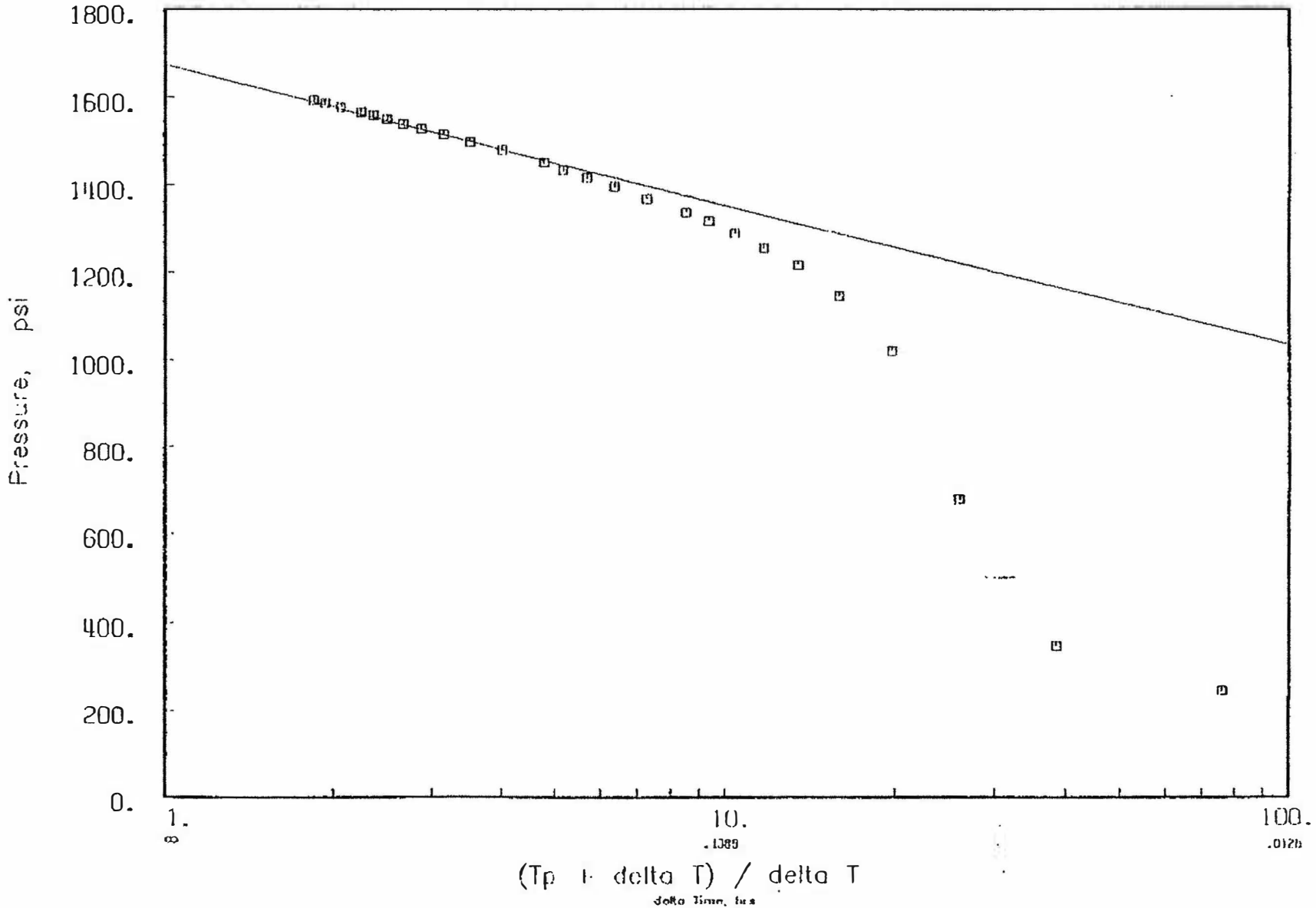
Slope .....: 319.40

dP skin (psi).....: 148.9

Pstar (psi).....: 1677.7

Radius of Invest(ft): 45.6

18



Nermoe #1-4 \* DST#1 \* Rec#110,16 @ 3250 ft.

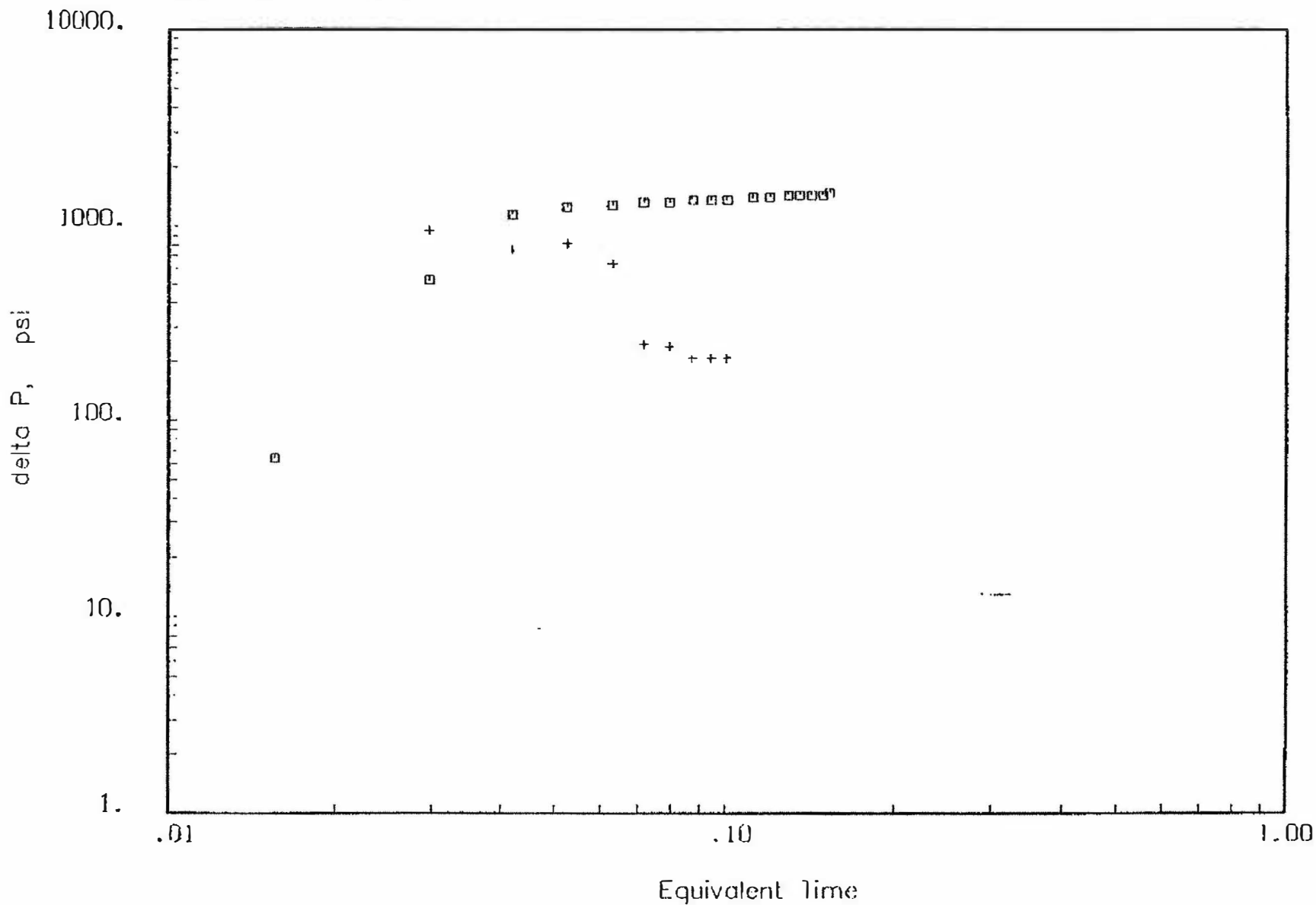
LOG-LOG PLOT

File name.....: C:\QWIC\17991.QWD

Test date.....: 8--21--93

Test time.....: 1st Shutin

78



Nermoe #1-4 \* DST#1 \* Rec#110,16 @ 3250 ft.

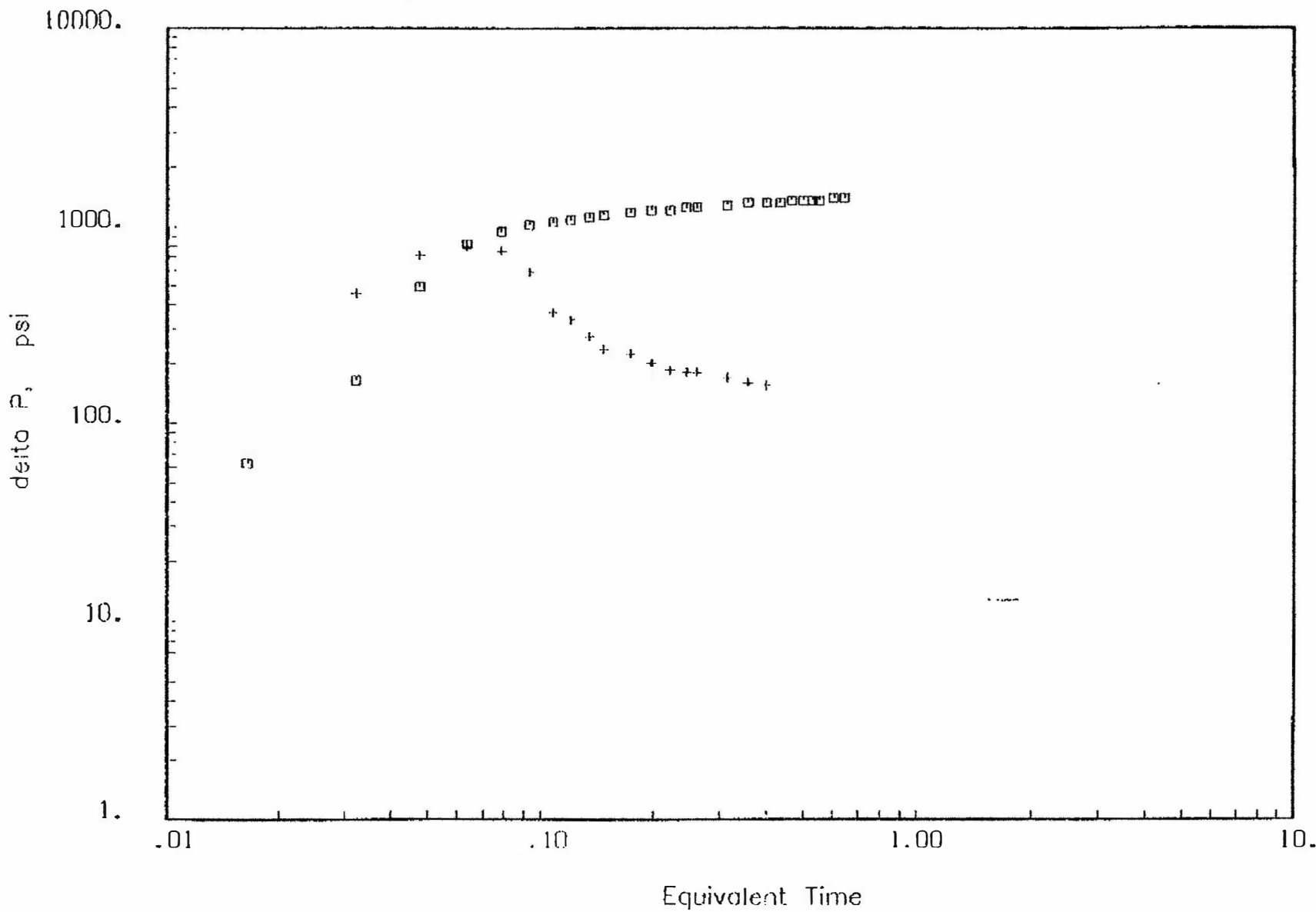
LOG-LOG PLOT

File name.....: C:\QWIC\17992.QWD

Test date.....: 8-21-93

Test time.....: 2nd Shutin

83



Operator.....: EOG (N.MEXICO), INC.  
 Well Name.....: NERMOE #1-4  
 DST Number.....: 1

Location : 4-160N-78W  
 Test Type: Conventional  
 Formation: Spearfish

Recorder Number: 11016  
 Recorder Depth : 3250 ft  
 Test Interval : 3244 - 3278

TIME-PRESSURE LISTING  
 -----

CHART LABEL	COMMENTS	TIME MIN.	DELTA P psi	PRESSURE psi	(T+dt)/dt ABSCISSA	PRESSURE SQUARED psi <sup>2</sup> /10 <sup>6</sup>
A	INITIAL HYDROSTATIC			1730.00		
B	START OF 1st FLOW	0.00		51.00		
	1st FLOW PERIOD	5.00	34	85.00		
		10.00	37	88.00		
C	END OF 1st FLOW	15.00	43	94.00		
	1st SHUTIN PERIOD	0.00	0	94.00	0.0000	
		1.00	64	158.00	16.0000	
		2.00	536	630.00	8.5000	
		3.00	1172	1266.00	6.0000	
		4.00	1254	1348.00	4.7500	
		5.00	1288	1382.00	4.0000	
		6.00	1315	1409.00	3.5000	
		7.00	1336	1430.00	3.1429	
		8.00	1355	1449.00	2.8750	
		9.00	1370	1464.00	2.6667	
		10.00	1383	1477.00	2.5000	
		12.00	1405	1499.00	2.2500	
		14.00	1422	1516.00	2.0714	
		16.00	1436	1530.00	1.9375	
		18.00	1449	1543.00	1.8333	
		20.00	1458	1552.00	1.7500	
		22.00	1467	1561.00	1.6818	
		24.00	1476	1570.00	1.6250	
D	END OF 1st SHUTIN	26.00	1482	1576.00	1.5769	
E	START OF 2nd FLOW	0.00		94.00		
	2nd FLOW PERIOD	10.00	10	104.00		
		20.00	27	121.00		
		30.00	43	137.00		
		40.00	59	153.00		
		50.00	75	169.00		
F	END OF 2nd FLOW	60.00	88	182.00		
	2nd SHUTIN PERIOD	0.00	0	182.00	0.0000	
		1.00	63	245.00	76.0000	
		2.00	166	348.00	38.5000	
		3.00	497	679.00	26.0000	
		4.00	839	1021.00	19.7500	



Operator.....: EOG (N.MEXICO), INC.  
 Well Name.....: NERMOR #1-4  
 DST Number.....: 1

Location : 4-160N-78W  
 Test Type: Conventional  
 Formation: Spearfish

Recorder Number: 11016  
 Recorder Depth : 3250 ft  
 Test Interval : 3244 - 3276

TIME-PRESSURE LISTING

CHART LABEL	COMMENTS	TIME MIN.	DELTA P psi	PRESSURE psi	(T+dt)/dt ABSCISSA	PRESSURE SQUARED psi <sup>2</sup> /10 <sup>6</sup>
		5.00	964	1146.00	16.0000	
		6.00	1035	1217.00	13.5000	
		7.00	1073	1255.00	11.7143	
		8.00	1108	1290.00	10.3750	
		9.00	1137	1319.00	9.3333	
		10.00	1157	1339.00	8.5000	
		12.00	1188	1370.00	7.2500	
		14.00	1215	1397.00	6.3571	
		16.00	1235	1417.00	5.6875	
		18.00	1252	1434.00	5.1667	
		20.00	1269	1451.00	4.7500	
		25.00	1298	1480.00	4.0000	
		30.00	1316	1498.00	3.5000	
		35.00	1334	1516.00	3.1429	
		40.00	1346	1528.00	2.8750	
		45.00	1358	1540.00	2.6667	
		50.00	1368	1550.00	2.5000	
		55.00	1376	1558.00	2.3636	
		60.00	1383	1565.00	2.2500	
		70.00	1395	1577.00	2.0714	
		80.00	1404	1586.00	1.9375	
G	END OF 2nd SHUTIN	88.00	1410	1592.00	1.8523	
	FINAL HYDROSTATIC			1709.00		

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Phone  
(303)721-1400

VIRG'S DST, INC.

6920 S. Holly Cr.#150  
Englewood, CO 80112

Contractor: Kenting  
Rig No.: 9  
Spot: SE-SE  
Sec: 4  
Twp: 160N  
Rng: 78W  
Field: Wildcat  
County: Bottineau  
State: N. Dakota  
Elevation: 1472' KB  
Formation: Midale  
On Location: 00:45,8-22

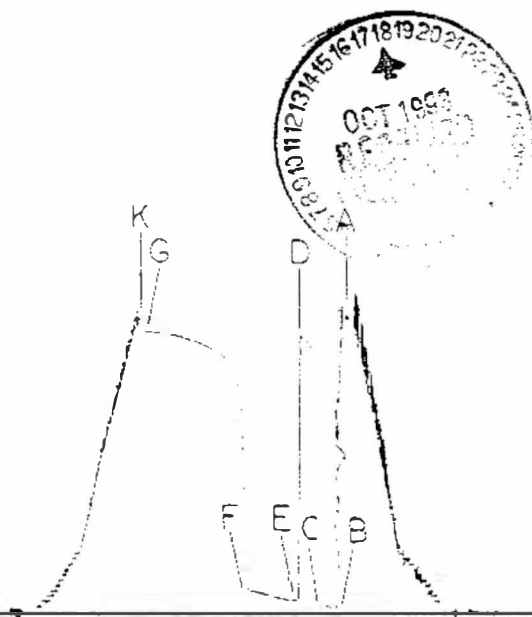
Surface Choke: .25"  
Bottom Choke: .75"  
Hole Size: 7.875"  
Core Hole Size:--  
DP Size & Wt.: 4.5" 16.6  
Wt. Pipe: --  
I.D. of DC: 2.375"  
Length of DC: 640'  
Total Depth: 3312'  
Test Type: Conventional  
Interval: 3296-3312'  
Off Location: 11:30,8-22

Mud Type: Salt-Stch  
Weight: 9.8  
Viscosity: 51  
Water Loss: 7.0  
Filter Cake:2/32  
R.W.: .07 @ 65 F  
138000 ppm Cl  
B.H.T.: 112 F  
Date: 8-22-93  
Co.Rep.:J.Sanderson  
Tester: J.Holsten  
Ticket No.: 1800

Opened Tool@ 04:00  
Flow #1: 15 min  
Shutin #1: 28 min  
Flow #2: 60 min  
Shutin #2:123 min

Recorder:Kuster AK1  
No:11016 Cap: 4300  
Depth: 3268'  
Inside Recorder  
Clock No: 23796  
Clock Cap: 18 hr.

IH	A	1698	psi
FH	K	1687	psi
IF#1	B	29	psi
FF#1	C	46	psi
SI#1	D	1598	psi
IF#2	E	63	psi
FF#2	F	133	psi
SI#2	G	1625	psi



PIPE RECOVERY: 250' Total Fluid  
250' Muddy water - 1.38 bbls.  
Top: .08 @ 70 F - 98000 ppm Cl  
Bottom: .08 @ 70 F - 98000 ppm Cl

SURFACE BLOW:  
1st flow: Tool opened with a weak surface bubble blow, 1.75" blow in 5 mins., 1.5" blow in 10 mins., and a 1" blow at the end of the flow period.  
2nd flow: Tool opened with a weak surface bubble blow, 1" blow in 15 mins., 1.25" blow in 30 mins., 1" blow in 45 mins., and a .75" blow at the end of the flow period.

SAMPLER RESULTS

Pressure: 75 psi  
Volume: 2200 cc  
Oil: -- cc  
Water: 2200 cc  
Mud: Trace cc  
Gas: -- ft3  
Other: -- cc  
(5ppm Nitrates)  
RW: .08 @ 70 F  
98000 ppm Cl  
Oil Grav: --  
GOR: -- cf/co  
Drained: Location

\*\*\*\* T I G H T H O L E \*\*\*\*

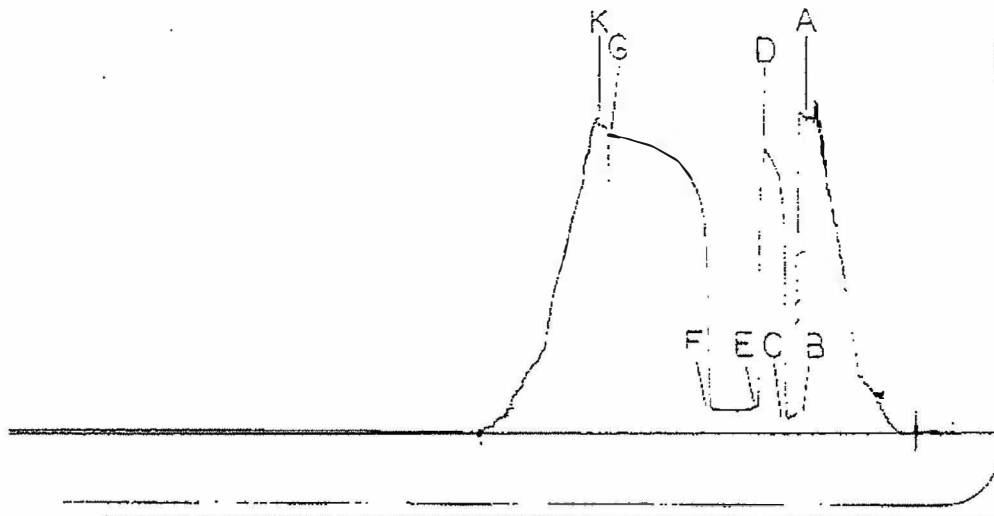
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Operator.....:  
Well.....:  
DST Number...:

EOG (N. MEXICO), INC.  
NERMOE #1-4  
2

Recorder: Kuster AK-1  
No:13591 Cap: 3925  
Depth: 3263'  
Clock No: 25843  
Clock Cap: 18 hr.  
Inside Recorder

IH	A	1686	psi
FH	K	1671	psi
IF#1	B	79	psi
FF#1	C	65	psi
SI#1	D	1584	psi
IF#2	E	122	psi
FF#2	F	117	psi
SI#2	G	1607	psi



Operator.....: EOG (N.MEXICO), INC.  
 Well Name.....: NERMoe #1-4  
 DST Number.....: 2

Location : 4-160N-78W  
 Test Type: Conventional  
 Formation: Midale

Recorder Number: 11016  
 Recorder Depth : 3268 ft  
 Test Interval : 3296 - 3312

TIME-PRESSURE LISTING  
 -----

CHART LABEL	COMMENTS	TIME MIN.	DELTA P psi	PRESSURE psi	(T+dt)/dt ABSCISSA	PRESSURE SQUARED psi <sup>2</sup> /10 <sup>6</sup>
A	INITIAL HYDROSTATIC			1698.00		
B	START OF 1st FLOW	0.00	.	29.00		
	1st FLOW PERIOD	5.00	2	31.00		
		10.00	9	38.00		
C	END OF 1st FLOW	15.00	17	46.00		
	1st SHUTIN PERIOD	0.00	0	46.00	0.0000	
		1.00	20	66.00	16.0000	
		2.00	59	105.00	8.5000	
		3.00	143	189.00	6.0000	
		4.00	534	580.00	4.7500	
		5.00	1109	1155.00	4.0000	
		6.00	1297	1343.00	3.5000	
		7.00	1342	1388.00	3.1429	
		8.00	1370	1416.00	2.8750	
		9.00	1396	1442.00	2.6667	
		10.00	1416	1462.00	2.5000	
		12.00	1446	1492.00	2.2500	
		14.00	1470	1516.00	2.0714	
		16.00	1489	1535.00	1.9375	
		18.00	1504	1550.00	1.8333	
		20.00	1517	1563.00	1.7500	
		22.00	1529	1575.00	1.6818	
		24.00	1539	1585.00	1.6250	
		26.00	1546	1592.00	1.5769	
D	END OF 1st SHUTIN	28.00	1552	1598.00	1.5357	
E	START OF 2nd FLOW	0.00		63.00		
	2nd FLOW PERIOD	10.00	9	72.00		
		20.00	22	85.00		
		30.00	35	98.00		
		40.00	46	109.00		
		50.00	58	121.00		
F	END OF 2nd FLOW	60.00	70	133.00		
	2nd SHUTIN PERIOD	0.00	0	133.00	0.0000	
		1.00	38	171.00	76.0000	
		2.00	100	233.00	38.5000	
		3.00	209	342.00	26.0000	

Operator.....: EOG (N.MEXICO), INC.  
 Well Name.....: NERMOE #1-4  
 DST Number.....: 2

Location : 4-160N-78W  
 Test Type: Conventional  
 Formation: Midale

Recorder Number: 11016  
 Recorder Depth : 3268 ft  
 Test Interval : 3296 - 3312

TIME-PRESSURE LISTING  
 -----

CHART LABEL	COMMENTS	TIME MIN.	DELTA P psi	PRESSURE psi	(T+dt)/dt ABSCISSA	PRESSURE SQUARED psi <sup>2</sup> /10 <sup>6</sup>
		4.00	468	601.00	19.7500	
		5.00	861	994.00	16.0000	
		6.00	1011	1144.00	13.5000	
		7.00	1064	1197.00	11.7143	
		8.00	1104	1237.00	10.3750	
		9.00	1135	1268.00	9.3333	
		10.00	1161	1294.00	8.5000	
		12.00	1200	1333.00	7.2500	
		14.00	1228	1361.00	6.3571	
		16.00	1251	1384.00	5.6875	
		18.00	1270	1403.00	5.1667	
		20.00	1288	1421.00	4.7500	
		25.00	1322	1455.00	4.0000	
		30.00	1346	1479.00	3.5000	
		35.00	1368	1501.00	3.1429	
		40.00	1384	1517.00	2.8750	
		45.00	1399	1532.00	2.6667	
		50.00	1410	1543.00	2.5000	
		55.00	1421	1554.00	2.3636	
		60.00	1430	1563.00	2.2500	
		70.00	1445	1578.00	2.0714	
		80.00	1458	1591.00	1.9375	
		90.00	1468	1601.00	1.8333	
		100.00	1476	1609.00	1.7500	
		110.00	1483	1616.00	1.6818	
		120.00	1490	1623.00	1.6250	
G END OF 2nd SHUTIN		123.00	1492	1625.00	1.6098	
FINAL HYDROSTATIC				1687.00		

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JOHN D. PRUIT

Petroleum Geology

P.O. Box 1268  
Ranchos de Teos, NM 87557-1268  
(505) 751-0115



GEOLOGIC REPORT  
ENSIGN OIL & GAS INC. (NEW MEXICO)  
#1-4 NERMOE  
(SESE) SECTION 4-T160N-R78W  
BOTTINEAU COUNTY, NORTH DAKOTA

OPERATOR: Ensign Oil & Gas (New Mexico), Inc.  
WELL NAME: #1-4 Nermoe  
LOCATION: 660' FSL, 660' FEL  
 (SESE) Section 4-T160N-R78W  
 Bottineau County, North Dakota  
FIELD: S. W. Starbuck  
TOTAL DEPTH: 3390' Driller, 3388' Logger  
SPUD DATE: August 17, 1993  
COMPLETION DATE: August 23, 1993  
ELEVATION: 1461' G.L., 1476' K.B.  
SURFACE CASING: Set 8 joints 8 5/8" 24# casing at 339' K.B. with 150  
 sacks premium, 2% cc, 1/4" Floseal. Plug down 5:45  
 p.m., August 17, 1993.  
CONTRACTOR: Kenting-Apollo Drilling, Rig 9  
DRILLING SUPERVISION: Jim Sanderson  
WELLSITE GEOLOGIST: John D. Pruitt  
MUD: Pioneer Drilling Fluids, Mohall, North Dakota  
DRILL STEM TEST: Virg's Testers, Mohall, North Dakota,  
 Jim Hoisten, Tester  
LOGS: Halliburton Logging Services, Williston, North  
 Dakota: Dual Laterolog; Microspherically Focused  
 Log; Dual Spaced Neutron Spectral Lithodensity Log

WELL HISTORY:

<u>Date</u>	<u>Depth</u>	<u>Formation</u>	<u>Operation</u>
8-17-93	0'	Surface	Spud 9:30 a.m.
8-18-93	345'	---	Drilling. Made 345' in 3 1/4 hrs. VIS 27, MW 9.6, CI 150,000, pH 10.0, CA Heavy WOB 15/18, RPM 160/200, PP 1150, SPM 120
8-19-93	2243'	---	Drilling. Made 1898' in 24 hrs. VIS 28, MW 9.5, CI 145,000, pH 9.5 WL 14, FC 1, NO <sub>2</sub> 0, CA Heavy WOB 30/35, RPM 120, PP 1050, SPM 120

Ensign Oil & Gas, Inc. (New Mexico)  
 #1-4 Nermoe  
 Page 2

WELL HISTORY: (Continued)

<u>Date</u>	<u>Depth</u>	<u>Formation</u>	<u>Operation</u>
8-20-93	2968'	Piper	Drilling. Made 725' in 24 hrs. VIS 28, MW 9.7, CI 140,000, pH 8.5 WL 14, FC 1, NO <sub>3</sub> 0, CA Heavy WOB 35/40, RPM 70/115, PP 800, SPM 105
8-21-93	3278'	Midale	DST #1. Made 310' in 24 hrs. VIS 50, MW 9.9, CI 140,000, pH 8.0 WL 8.0, FC 2, NO <sub>3</sub> 80, CA Heavy WOB 35/40, RPM 70/115, PP 800, SPM 105
8-22-93	3312'	Midale	DST #2. Made 34' in 24 hrs. VIS 51, MW 9.8, CI 136,000, pH 8.0 WL 5.0, FC 2, NO <sub>3</sub> 60, CA Heavy WOB 34, RPM 110, PP 850, SPM 105
8-23-93	3390' DTD 3388' LTD	Blueell	Logging. Made 78' in 24 hrs.

FORMATION TOPS:

<u>Formation</u>	<u>Sample</u>	<u>Datum</u>	<u>E. Log</u>	<u>Datum</u>
Niobrara			1228'	(+ 248')
Greenhorn			1568'	(- 92')
Dakota			1948'	(- 472')
Piper	2776'	(-1300')	2812'	(-1336')
Spearfish	3077'	(-1601')	3085'	(-1609')
Unconformity	3274'	(-1798')	3272'	(-1796')
Midale Porosity	3297'	(-1821')	3292'	(-1816')
State A	3347'	(-1871')	3342'	(-1866')

SHOW DESCRIPTION:

<u>Formation</u>	<u>Interval</u>	<u>Description</u>
Unknown	Above 3000'	Limestone, white, wackestone, micritic, chalky, microfossils, no visible porosity, spotty bright gold fluorescence in part, no cut-instant streaming cut, fair ring. Appeared as float in samples from 3000'-3100'. POOR SHOW.



SHOW DESCRIPTION: (continued)

<u>Formation</u>	<u>Interval</u>	<u>Description</u>
Spearfish	3254'-3263'	Sandstone, light gray, very fine grained and silty-medium grained, subangular-subrounded, poorly-well sorted, calcareous in part, trace subrounded medium grained loose quartz grains, tight to poor with trace fair visible porosity, light-dark brown oil stain, dull gold fluorescence, instant steaming cut, strong ring. GOOD SHOW.
Midale	3296'-3308'	Limestone, buff, wackestone-packstone, very fine-fine grained, micritic matrix, slightly-completely dolomitized, earthy in part, tight-fair intergranular and excellent vuggy porosity, light brown oil stain, dull-moderate gold fluorescence, instant streaming cut, strong ring, looks wet. GOOD-EXCELLENT SHOW.

DRILL STEM TEST RECORD:

DST #1 3244'-3278' (Spearfish)  
15-30-60-90

1st open: 1/2' blow increase to 2' in 15 minutes  
2nd open: 1/2' blow increase to 2 1/2' in 30 minutes  
decrease to 2' in 45 minutes

Recovery: 130' Highly Gas Water and Mud Cut Oil  
2% BS, 27% Mud, 20% Water, 30% Oil and Mud Emulsion, 10% Free Oil  
60' Oil and Gas Cut Muddy Water  
115,000 ppm C1, 20 ppm NO<sub>2</sub>  
180' Muddy Water with trace oil  
102,000 ppm C1, 10 ppm NO<sub>2</sub>

FP: 62-82, 82-165  
SIP: 1557-1578  
HP: 1689-1689

Sampler: 75 psig, no gas  
500 cc oil  
1700 cc Muddy Water  
102,000 ppm C1, 10 ppm NO<sub>2</sub>  
Mud system: 140,000 ppm C1  
80 ppm NO<sub>2</sub>

Ensign Oil & Gas, Inc. (New Mexico)  
#1-4 Nermoe  
Page 4

DRILL STEM TEST RECORD: (continued)

DST #2 3296'-3312' (Midale) 15-30-60-120

1st open: weak blow increase to 1 3/4" in 5 minutes  
decrease to 1" in 15 minutes  
2nd open: weak blow increase to 1 3/4" in 30 minutes  
decrease to 3/4" in 60 minutes

Recovery: 250' Muddy Water  
98,000 ppm Cl<sup>-</sup>, 5 ppm NO<sub>3</sub>

FP: 21-41, 51-123  
SIP: 1600-1622  
HP: 1709-1698

Sampler: 75 psig, no gas  
2200 cc muddy water  
5 ppm NO<sub>3</sub>  
Mud system: 136,000 ppm Cl<sup>-</sup>  
60 ppm NO<sub>3</sub>

DEVIATION RECORD:

<u>Depth</u>	<u>Deviation</u>	<u>Depth</u>	<u>Deviation</u>	<u>Depth</u>	<u>Deviation</u>
219'	1/2"	1530'	3/4"	2938'	1"
345'	3/4"	1840'	3/4"	3278'	2 1/2"
621'	1"	2191'	1"	3390'	3 1/2"
934'	3/4"	2308'	3/4"		
1217'	1"	2616'	1"		

BIT RECORD:

<u>No.</u>	<u>Size</u>	<u>Make</u>	<u>Type</u>	<u>Depth Out</u>	<u>Feet</u>	<u>Hours</u>
1	12 1/4	STC	FDS	345'	345	3 1/4
2	7 7/8	STC	FDS	2308'	1963	22 3/4
3	7 7/8	HTC	ATJ-225	3390'	1082	37 1/2

SAMPLE DESCRIPTION:

10 foot samples were caught from 3000' to total depth at 3390'. 1 foot drill time was saved from 3000' to total depth. Sample examination commenced at 3000' and continued to total depth. One dry cut was prepared and shipped to North Dakota Geological Survey, Bismark, North Dakota for storage. Samples

were caught by crews and lagged by geologist. Sample depths reported herein are lagged depths.

- 3000'-3010' Limestone, light brown, mudstone-wackestone, micritic, microfossils, tight, no stain, fluorescence, or cut.  
Shale, gray-dark gray, splintery.  
Limestone, gray, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.
- 3010'-3020' Limestone, gray, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.  
Anhydrite, white, crystalline.  
Shale, gray, blocky, calcareous, marly.
- 3020'-3030' Anhydrite, crystalline-massive, white.  
Limestone, light grayish brown, mudstone, micritic, very argillaceous, silty in part.
- 3030'-3040' Anhydrite, white-light gray, massive.  
Shale, gray, blocky.  
Limestone, light gray, mudstone, micritic, argillaceous in part, tight, no stain, fluorescence, or cut.
- 3040'-3050' Limestone, light gray, mudstone, micritic, argillaceous in part, tight, no stain, fluorescence, or cut.  
Shale, gray-light brown, splintery.
- 3050'-3060' Anhydrite, white, crystalline.  
Shale, gray, blocky, calcareous.  
Limestone, gray-light brown, mudstone, micritic, anhydritic, microfossils in part, tight, no stain, fluorescence, or cut.
- 3060'-3070' Limestone, gray-light brown, mudstone, micritic, anhydritic, microfossils in part, tight, no stain, fluorescence, or cut.  
Limestone, buff-light brown-light gray, mudstone, micritic, microfossils in part, argillaceous in part, tight, no stain, fluorescence, or cut.  
Shale, grayish olive green, blocky.

Top Spearfish 3077' (-1601')

- 3070'-3080' Limestone, buff-light brown-light gray, mudstone, micritic, microfossils in part, argillaceous in part, tight, no stain, fluorescence, or cut.  
Shale, grayish green-red, splintery-blocky.
- 3080'-3090' Limestone, gray, mudstone, micritic, argillaceous, tight, no stain, fluorescence, or cut.  
Shale, red, chippy-blocky.

Ensign Oil & Gas, Inc. (New Mexico)

#1-4 Nermoe

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- 3090'-3100' Shale, red, silty in part, anhydritic in part, chippy-blocky.
- 3100'-3110' Siltstone, red, argillaceous, anhydritic in part, sandy in part, tight, no stain, fluorescence, or cut.
- 3110'-3120' Siltstone, red, argillaceous, anhydritic in part, sandy in part, tight, no stain, fluorescence, or cut.  
Shale, red-maroon-gray, splintery-blocky, silty in part.
- 3120'-3130' Shale, red-maroon-gray, splintery-blocky, silty in part.  
Sandstone, red, very fine grain and silty-fine grain, poorly sorted, calcareous in part, anhydritic in part, argillaceous in part, tight, no stain, fluorescence, or cut.
- 3130'-3140' Shale, red-maroon-gray, splintery-blocky, silty in part.  
Siltstone, red, tight, no stain, fluorescence, or cut.
- 3140'-3150' Siltstone, red, tight, no stain, fluorescence, or cut.  
Shale, red-maroon-gray, splintery-blocky, silty in part.  
Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, anhydritic, tight, no stain, fluorescence, or cut.
- 3150'-3160' Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, anhydritic, tight, no stain, fluorescence, or cut.  
Shale, red-reddish brown, splintery-platy, waxy.  
Siltstone, red, tight, no stain, fluorescence, or cut.
- 3160'-3170' Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, anhydritic, tight, no stain, fluorescence, or cut.  
Shale, red-reddish brown, splintery-platy, waxy.  
Siltstone, red, tight, no stain, fluorescence, or cut.
- 3170'-3180' Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, anhydritic, tight, no stain, fluorescence, or cut, 2-4% loose subrounded medium grain quartz in sample.  
Siltstone, red, tight, no stain, fluorescence, or cut.  
Shale, red-reddish brown, splintery-platy, waxy.
- 3180'-3190' Siltstone, red, anhydritic in part, tight, no stain, fluorescence, or cut.  
Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, anhydritic, tight, no stain, fluorescence, or cut, 2-4% loose subrounded medium grain quartz in sample.

Ensign Oil & Gas, Inc. (New Mexico)

#1-4 Nermoe

Page 7

- 3190'-3200' Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, very anhydritic in part, tight, no stain, fluorescence, or cut, 2-4% loose subrounded medium grain quartz in sample.
- 3200'-3210' Sandstone, white-red, very fine grain-medium grain, poorly sorted, calcareous, very anhydritic in part, tight, no stain, fluorescence, or cut, 2-4% loose subrounded medium grain quartz in sample.  
Siltstone, red, tight, no stain, fluorescence, or cut.
- 3210'-3220' Anhydrite, light gray, massive.  
Sandstone, red, very fine grain-medium grain, anhydritic, no visible porosity, anhydritic in part, 40-50% of sample is loose fine grain-medium grain subrounded quartz, no stain, fluorescence, or cut.
- 3220'-3230' Sandstone, red, very fine grain-medium grain, anhydritic, no visible porosity, anhydritic in part, 40-50% of sample is loose fine grain-medium grain subrounded quartz, no stain, fluorescence, or cut.  
Siltstone, red, sandy, tight, no stain, fluorescence, or cut.
- 3230'-3240' Sandstone, red, very fine grain-fine grain, silty in part, very anhydritic in part, tight, no stain, fluorescence, or cut.
- 3240'-3250' Siltstone, red, sandy in part, tight, no stain, fluorescence, or cut.  
Sandstone, red-trace white, very fine grain-fine grain, calcareous, anhydritic in part, no visible porosity, no stain, fluorescence, or cut.
- 3250'-3260' Sandstone, red-trace white, very fine grain-fine grain, calcareous, anhydritic in part, no visible porosity, no stain, fluorescence, or cut.  
Anhydritic, white, crystalline.  
Sandstone, light gray, very fine grain and silty-medium grain, subangular-subrounded, poorly-well sorted, calcareous in part, tight-poor with trace fair visible porosity, trace loose medium grain subrounded quartz, light-dark brown oil stain, dull gold fluorescence, instant-streaming cut, strong ring.
- 3260'-3270' Sandstone, light gray, very fine grain and silty-medium grain, subangular-subrounded, poorly-well sorted, calcareous in part, tight-poor with trace fair visible porosity, trace loose medium grain subrounded quartz, light-dark brown oil stain, dull gold fluorescence, instant-streaming cut, strong ring.  
Sandstone, red-orange, very fine grain-trace medium grain, very anhydritic, tight, no stain, fluorescence, or cut.

Unconformity 3274' (-1798')

- 3270'-3280' Sandstone, white, very fine grain-fine grain, very calcareous, tight, no stain, fluorescence, or cut.  
Limestone, light gray-light grayish brown, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.  
Anhydrite, white, massive.
- 3280'-3290' Anhydrite, white, massive.  
Limestone, buff-tan, mudstone, micritic, slightly anhydrite in part, tight, no stain, fluorescence, or cut.

Top Middle Porosity 3297' (-1821')

- 3290'-3300' Limestone, buff, mudstone, earthy, dolomitic, calcite filled fractures, no visible porosity, no stain, fluorescence, or cut.  
Limestone, buff, wackestone-packstone, very fine grain-fine grain, micritic matrix, slightly-completely dolomitized, earthy in part, tight-fair intergranular and excellent vuggy porosity, light brown oil stain, dull-moderate gold fluorescence, instant streaming cut, strong ring, may be wet.
- 3300'-3310' Limestone, buff, wackestone-packstone, very fine grain-fine grain, micritic matrix, slightly-completely dolomitized, earthy in part, tight-fair intergranular and excellent vuggy porosity, light brown oil stain, dull-moderate gold fluorescence, instant streaming cut, strong ring, may be wet.  
Limestone, mauve, mudstone, micritic, anhydritic in part, tight, no stain, fluorescence, or cut.
- 3310'-3320' Limestone, mauve, mudstone, micritic, anhydritic in part, tight, no stain, fluorescence, or cut.  
Shale, grayish green, platy-blocky, waxy in part, calcareous in part.
- 3320'-3330' Limestone, light gray-light brown, mudstone, micritic, anhydritic in part, tight, no stain, fluorescence, or cut.
- 3330'-3340' Limestone, light gray-light brown, mudstone, micritic, anhydritic in part, tight, no stain, fluorescence, or cut.  
Anhydrite, white, crystalline.  
Dolomite, buff, microcrystalline, earthy, medium grain brown ang. limestone clasts, tight, no stain, fluorescence, or cut.

Ensign Oil & Gas, Inc. (New Mexico)  
#1-4 Nermoe  
Page 9

State A 3347' (-1871')

- 3340'-3350' Dolomite, buff, microcrystalline, earthy, medium grain brown ang. limestone clasts, tight, no stain, fluorescence, or cut. Shale, olive green-purple, waxy. Limestone, brown-mauve, mudstone, micritic, very anhydritic in part, tight, no stain, fluorescence, or cut.
- 3350'-3360' Limestone, brown-mauve, mudstone, micritic, very anhydritic in part, tight, no stain, fluorescence, or cut. Shale, dark gray, splintery. Limestone, light brown, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.
- 3360'-3370' Limestone, light brown-mauve, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut. Anhydrite, light brown, massive-crystalline.
- 3370'-3380' Anhydrite, light brown, massive-crystalline. Limestone, light brown-mauve, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut. Limestone, brownish red-maroon, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.
- 3380'-3390' Limestone, brownish red-maroon, mudstone, micritic, anhydritic, tight, no stain, fluorescence, or cut.

REMARKS AND RECOMMENDATIONS:

Good shows of oil were observed in the Spearfish interval 3254'-3263' (sample). A subsequent drill stem test recovered oil and water, but may have included a wet sand in the test interval. I am not able to identify the prospective pay interval (meaning that I see nothing on logs that looks like possible pay) with the zone covered by DST #1.

Good excellent shows of oil were observed in samples from the Midale interval 3296'-3308' (sample). Drill stem test of this interval recovered salt water with only a very slight of oil in the sample chamber. Electric logs appear net in this interval.

The Midale is wet; the Spearfish is at least questionable, in my mind. I make no recommendation regarding completion attempts on this well.

Respectfully submitted,

*John D. Pruitt*  
John D. Pruitt

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

RECEIVED OCT 15 1993

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP.

October 12, 1993

Ms. Conni Smith  
EOG (NM), Inc.  
621 17th Street Suite 1800  
Denver, CO 80293

RE: Nermoe #1-4  
SE SE Sec. 4-160N-78W  
Well File No. 13565

Dear Ms. Smith:

According to our records, our office has not received a Completion Report (Form 6) for the above captioned well.

This report is due thirty days after the completion of a well. Please submit the Form 6's, in triplicate, as soon as possible.

You also need to submit an Authorization to Transport Oil (Form 8) at the same time. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

*10/15/93 Completion report was mailed to you on 10/12/93.*

*Form 8 enclosed*

*Conni Smith*

100



North Dakota State Industrial Commission  
Oil and Gas Division  
303 EAST BOULEVARD - SISMARCK, NORTH DAKOTA 58505

SUNDRY NOTICES AND REPORTS ON WELLS

- 1. Notice of Intention to Drill or Redrill \_\_\_\_\_
- 2. Notice of Intention to Change Plans \_\_\_\_\_
- 3. Notice of Intention to Pull Casing \_\_\_\_\_
- 4. Notice of Intention to Abandon Well \_\_\_\_\_
- 5. Report of Water Shut-Off \_\_\_\_\_
- 6. Report of Shooting or Acidizing \_\_\_\_\_
- 7. Report of Casing \_\_\_\_\_
- 8. Report of Redrilling or Repair \_\_\_\_\_
- 9. Supplementary History \_\_\_\_\_
- 10. Well Potential Test \_\_\_\_\_
- 11. Drilling Prognosis \_\_\_\_\_
- 12. Rehabilitation of Pit \_\_\_\_\_

NAME OF LEASE Nermoe Date September 21 19 93  
 WELL NO. 1-4 is located 660 ft. from (X) (S) line and 660 ft. from the (E) (X) li  
 of Section 4 Township 160N Range 78W in Bottineau  
 County, Wildcat Field Spearfish Pool. The elevation of the Ground  
 is 1461 feet above sea level.

Name and Address of Contractor, or Company which will do work is:

EOG (New Mexico) Inc., 621 17th St #1800, Denver, CO 80293

(DETAILS OF WORK)

(State names of, and expected depth of objective sand; show sizes, weight, and lengths of proposed casing, indicate mud weights, cementing points, and all other details of work)

Rehabilitation of Pit:

Salt Water Hauled to Martin Williams Disposal in Bottineau County, by Ward Williston.  
 Pit trenched to relieve drilling cuttings and solids only.  
 Pit filled to original contour.  
 Topsoil spread to original contour.

Name and address of Dirt Contractor:

Bergstrom Construction  
 Rt 1, Box 15C  
 Antler, ND 58711

Party responsible for reseeding:

Land will be farmed. No reseeding.

Company EOG (New Mexico) Inc.  
 Address 621 17th St #1800  
Denver, CO 80293  
 By Conni Smith  
 Title Sr. Engineering Technician

Do not write in this space

Approved 9-27 1993  
 By Allen F. Wollan  
 Title RECLAMATION SUPERVISOR



# NORTH DAKOTA GEOLOGICAL SURVEY

600 E. Boulevard Avenue • Bismarck, North Dakota 58505-0840  
Phone (701) 224-4109 FAX (701) 224-3682

John P. Bluemie  
State Geologist  
William A. McClellan  
Asst. State Geologist

**INDUSTRIAL COMMISSION**  
Edward T. Schafer - Governor, Chairman  
Heidi Heitkamp - Attorney General  
Sarah Vogel - Commissioner of Agriculture

## NOTICE

RE: Cores and samples from the EOG (New Mexico) Inc.  
NAME OF OPERATOR

Nermoe 1-4 , 13565  
WELL NAME AND NUMBER PERMIT NUMBER

Target Formation Tight Hole  
Designation:

- |                                      |   |
|--------------------------------------|---|
| <input type="checkbox"/> Wildcat     | <input type="checkbox"/> Replacement          |
| <input type="checkbox"/> Development | <input checked="" type="checkbox"/> Extension |
| <input type="checkbox"/> Outpost     | <input type="checkbox"/> Horizontal           |

Section 38-08-04 of the North Dakota Century Code provides for the preservation of cores and samples and their shipment to the State Geologist free of charge when requested. The following is required on the subject well.

- 1) Samples: Include all from Spearfish to measured T.D. Samples must be washed, dried, packaged in sample envelopes in correct order with labels showing operator, well name, location and depth, and forwarded prepaid in standard sample boxes to the State Geologist.
- 2) Cores: Please forward ALL CORES prepaid to the State Geologist within 60 days from rig release. Any extension of time must have written approval from the State Geologist.
- 3) Copies of all logs must be submitted to the State Geologist as provided for by Section 38-08-04 of the North Dakota Century Code and Section 43-02-03-38.1 of the North Dakota Administrative Code.

Address for shipping  
Samples and Cores:

State Geologist  
North Dakota Geological Survey  
1022 E Divide Ave  
Bismarck, ND 58505-0840

Signed W.A. McClellan

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Weiden  
RECLAMATION SUP

July 13, 1993

Ms. Conni Smith  
Sr. Engineering Tech.  
EOG (New Mexico) Inc.  
621 17th Street  
Suite 1800  
Denver, CO 80293

RE: PERMIT TO DRILL  
Nermoe #1-4  
SE SE Sec. 4-160N-78W  
Bottineau County  
Permit #13565

Dear Ms. Smith:

Check number 2749 in the amount of \$100.00 was received.

Enclosed is Permit No. 13565 to drill the Nermoe #1-4 well,  
located in the SE SE Sec. 4-160N-78W, Bottineau County, North  
Dakota.

It is requested that notification be given immediately upon the  
spudding of the well. This information should be relayed to the  
Oil & Gas Division, Bismarck, via telephone. The following  
information should be included: Well name, legal location,  
permit number, drilling contractor, company representative, date  
and time of spudding. Office hours are 8:00 a.m. to 12:00 p.m.  
and 1:00 p.m. to 5:00 p.m. Central Time. Our telephone number  
is (701) 224-2969. Thank you for your cooperation.

Sincerely,

*F. E. Wilborn /drb*

F. E. Wilborn  
Assistant Director

FEW/drbr  
Enc.

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

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Doren Dannewitz  
FIELD SUPERVISOR

Glen Wollan  
RECLAMATION SUP

July 13, 1993

Ms. Conni Smith  
Sr. Engineering Tech.  
EOG (New Mexico) Inc.  
621 17th Street  
Suite 1800  
Denver, CO 80293

RE: CONFIDENTIAL WELL STATUS  
Nermoe #1-4  
SE SE Sec. 4-160N-78W  
Bottineau County  
Permit #13565

Dear Ms. Smith:

Your request for confidential status of all information furnished to the Director, or his representatives, is hereby granted. Such information shall remain confidential for six months commencing on the date the well is spudded, except production data.

Confidential status notwithstanding, the Director and his representatives shall have access to all well records wherever located. Your company personnel, or any person performing work for your company, shall permit the Director and his representatives to come upon any lease, property, well, or drilling rig operated or controlled by them, complying with all safety rules, and to inspect the records and operation of such wells, and to have access at all times to any and all records of wells.

The Commission's field personnel periodically inspect producing and drilling wells. Any information regarding such wells shall be made available to them at any time upon request. The information so obtained by the field personnel shall be maintained in strict confidence and shall be available only to the Commission and its staff.

Sincerely,

*F. E. Wilborn (dwb)*

F. E. Wilborn  
Assistant Director

FEW/drb  
Enc.

FORM 1

North Dakota State Industrial Commission  
Oil and Gas Division  
900 EAST BOULEVARD - BISMARCK, NORTH DAKOTA - 58505



APPLICATION FOR PERMIT TO DRILL

(File original and 3 copies with the Oil & Gas Division, 900 East Boulevard, Bismarck, North Dakota 58505)

Type of work: Drill new well X, Reenter old well \_\_\_\_\_, Drill directional well \_\_\_\_\_

Type of well: Oil X, gas \_\_\_\_\_, disposal \_\_\_\_\_, injection \_\_\_\_\_, others \_\_\_\_\_

NAME OF OPERATOR: EOG (New Mexico) Inc.

ADDRESS: 621 17th St #1800, Denver, CO 80293

NAME AND ADDRESS OF SURFACE OWNER OR TENANT: Ray Nermoe, 832 N 3rd St, Wahpeton, ND 58705

WELL NAME AND NO.: Nermoe #1-4

LOCATION OF WELL: Qtr.-Qtr., SESE Sec., 4 Twp., 160N Rge., 78W COUNTY: Bottineau

Surface location is 660 feet from (N) (S) section line and 660 feet and from (E) (W) section line.

If directional, top of pay is \_\_\_\_\_ feet from (N) (S) section line and \_\_\_\_\_ feet and from (E) (W) section line.

Distance from proposed location to nearest spacing (drilling) unit line 660 ft.

Distance from proposed location to nearest permitted or completed well in the same pool is N/A ft.

Acres in spacing (drilling) unit 40 Description of spacing unit is SESE Sec. 4, T160N-R78W

ELEVATION: 1461 (GROUND) \_\_\_\_\_ (GRADED) ESTIMATED TOTAL DEPTH: 3350

PROJECTED HORIZON (Pool Name): Spearfish APPROXIMATE DATE WORK WILL START: 7-15-93

REMARKS: ATTACHED: Check, Survey Plat, Drilling Prognosis, Letter to Hold Confidential

This application is conditionally approved. If after testing the Madison is found to be productive it shall not be produced in this well except by order of the Commission after notice

I hereby swear or affirm that the information herein provided is true, complete and correct as determined from all available records.

Conni Smith Signature Sr. Engineering Tech. Title 7/21/93 Date

STATE OF COLORADO  
COUNTY OF DENVER } SS

On this 12 day of July, 1993, before me personally appeared Conni Smith to me known as the person described in and who executed the foregoing instrument and acknowledged that (s)he executed the same as his/her free act and deed.

Pamela F. Campbell  
Notary Public Pamela F. Campbell  
My Commission expires 9-30-94

FOR STATE USE ONLY  
API NO. 33-109-01946  
PERMIT NO. & WELL FILE NO. 15576  
APPROVAL DATE: 7-13-93  
BY: [Signature]

Notary Seal

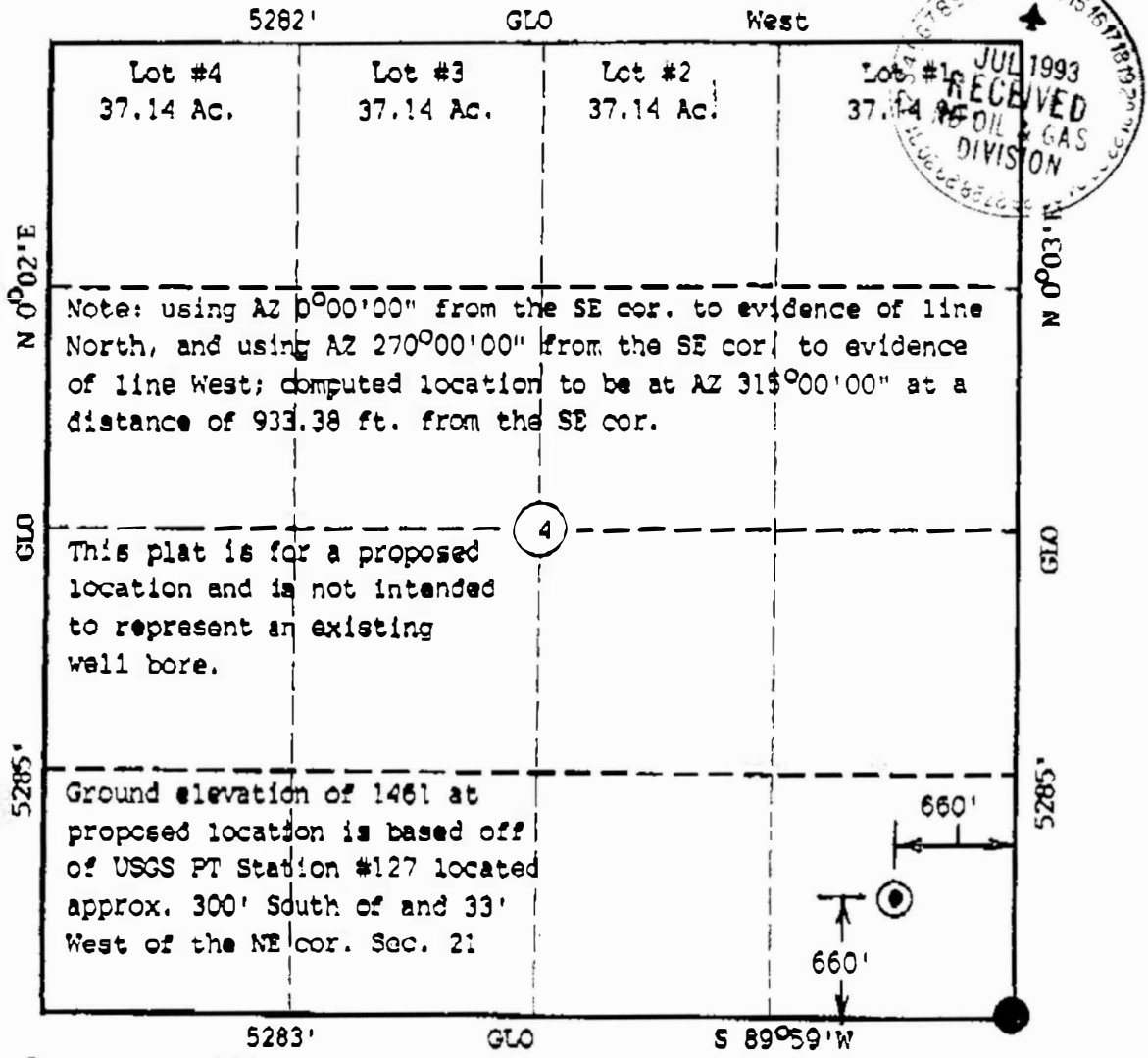
ND

# NORTH DAKOTA WELL LOCATION PLAT

ND

Applicant EOG ( NEW MEXICO ) Inc.  
 Well Name & No. Nemoe 1-4  
660 feet from South line and 660 feet from East line  
 Section 4, T. 180 N., R. 78 W., 5th. P.M.  
Bottineau County, North Dakota

*(Handwritten initials)*



SCALE:  
1" = 1000'



I HEREBY CERTIFY THAT THIS PLAT CORRECTLY REPRESENTS WORK PERFORMED BY ME OR UNDER MY RESPONSIBLE CHARGE, AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

*Leo J. Horgan*  
 LEO J. HORGAN RLS# 2883



DATE OF SURVEY: 6-29-93

- SET IRON PIN      ● EXIST. IRON PIN
- BRASS/ALUM. CAP      □ ORIGINAL STONE
- ORIGINAL STONE & I.P.

THIS PLAT AUTHORIZED BY:  
 Jim Sanderson

VERTICAL CONTROL DATUM:  
 USGS PT station #127 set 1925

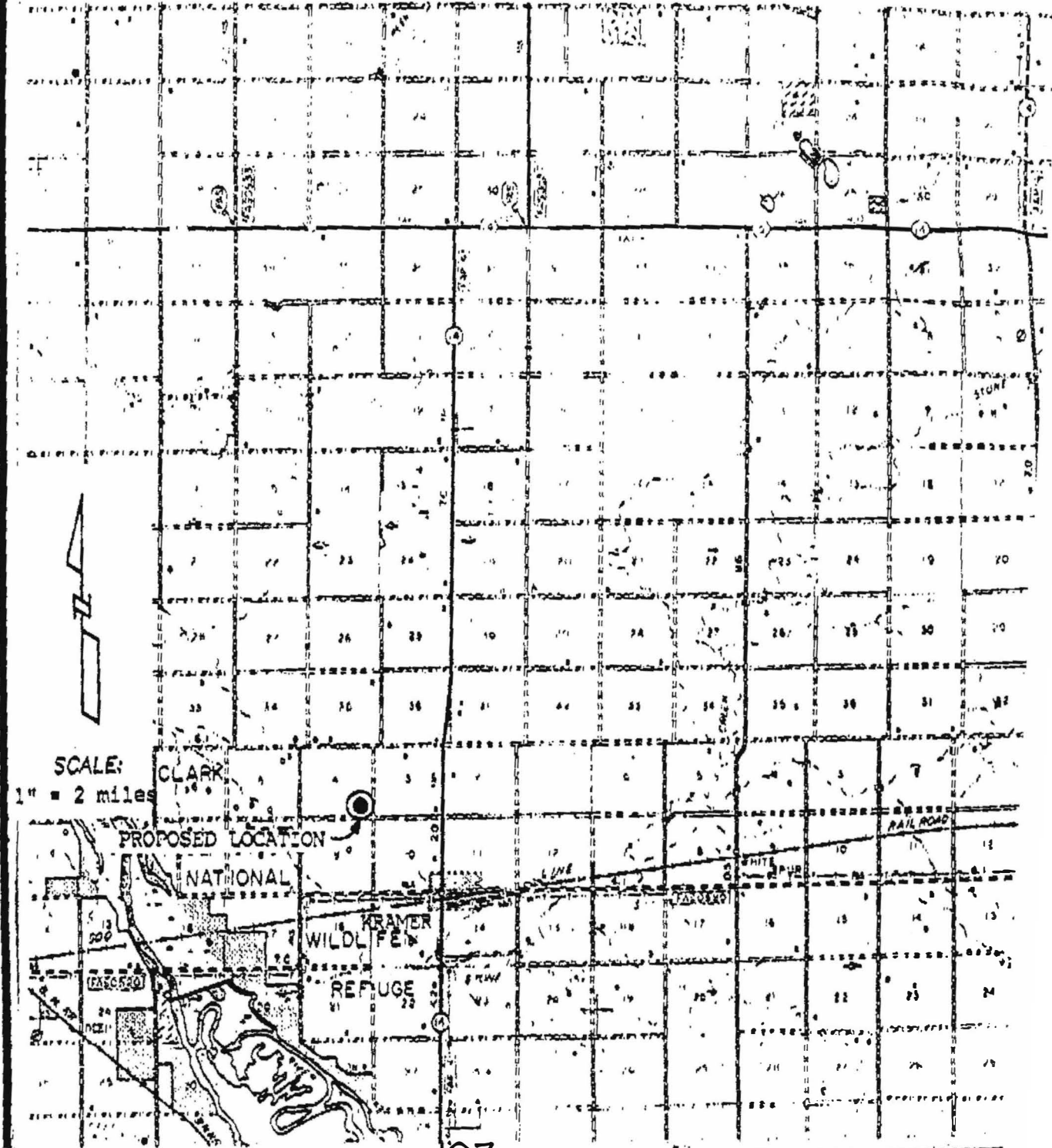
AmerTech Engineering Corporation  
 BISMARCK WILLISTON GLASGOW



ND

# NORTH DAKOTA - VICINITY MAP

Applicant EOG ( NEW MEXICO ) Inc.  
 Well Name & No. Nermoe i-4  
660 feet from South line and 660 feet from East line  
 Section 4, T. 160 N., R. 78 W., 5th. P.M.  
Bottineau County, North Dakota



EOG (NEW MEXICO) INC.  
621 17th Street, Suite 1800  
Denver, Colorado 80293  
303-293-9999 or 800-247-8153  
FAX: 303-295-6168 or 303-295-6752  
July 7, 1993



Geologist: Lee Mossel  
(H) 303-770-9233  
Chris DiMatteo  
(H) 303-425-6633

Engineer: Jerry Simmons  
(H) 303-466-4490  
Jerry Pope  
(H) 303-989-0206

EAST KRAMER PROSPECT

Drilling Prognosis

Well Name: Nermoe #1-4  
Location: C SE/SE Sec. 4, T160N-R78W  
Bottineau County, North Dakota  
Total Depth: 3325'  
Surface Casing: ±500  
Drilling Time: One foot drilling time plotted on 5"=100' scale  
from 3000' to TD.  
Samples: Catch and save 10' samples from 3000' to TD.  
Prepare 1 drycut for shipment to:  
State Geologist  
North Dakota Geological Survey  
1022 E Divide Ave  
Bismarck, ND 58505-0840  
Drill Stem Tests: Possibility of 2 DSTs:  
1 in lower Spearfish ±3200'  
1 in Midale ±3250'  
Elevation: GL: 1461' KB: ±1472

Estimated Formation Top:

Niobrara	1125'	Unconformity	3225'
Greenhorn	1400'	Midale $\emptyset$	3245'
Dakota	1950'	State "A"	3295'
Piper	2785'	Total Depth	3325'
Spearfish	3055'		

Openhole Logs:

Dual Laterolog w/SP, GR. TD to base surface casing on both 2" and 5"/100' scale: Neutron/Density porosity w/GR and Caliper, TD to base surface casing; Microlog w/Caliper TD to 2500'.



EOG (New Mexico) Inc.

621 SEVENTEENTH STREET, SUITE 1900  
DENVER, COLORADO 80293  
(303) 293-9999



July 12, 1993

North Dakota Industrial Commission  
Oil & Gas Division  
600 East Boulevard  
Bismarck, ND 58505

RE: Intent to Drill Applications  
Tight Hole Status Request

Nermoe #1-4  
SESE Section 4-T160N-R78W  
Bottineau County, ND

Dear Sir or Madam:

Enclosed please find a Form 1 (Application for Permit to Drill), check for \$100.00, prognosis and survey plots on the above-referenced well.

Please hold this well in ~~confidential~~ status.

Surface casing: 8-5/8" 24# 300' J-55 STC R-3 (new)  
Cement to surface

Production casing: 5 1/2" 15.5# 3350' J-55 LTC R-3 (new)

Top of cement of production casing: 1800'

Mud Program: 0 - 300' - Fresh water  
300 - 2100' - Salt water  
2100 - TD - Brine water/salt gel/starch

Thank you for your cooperation. If you have any questions regarding this request or information, please feel free to contact Jerry Simmons at the above address or telephone number.

Sincerely,

Conni Smith  
Sr. Engineering Technician

109



CHECK SHEET

DATE: July 13, 1993 FILE NO. 13565

COMPANY: EOG (New Mexico) Inc.

WELL NAME: Nermoe #1-4

LOCATION: SE SE Sec. 4-160N-78W, Bottineau

Permit Fee x

Application to Drill v

Organization Report v

\$100,000 Bond v

\$50,000 Bond \_\_\_\_\_

\$15,000 Bond \_\_\_\_\_

Certified Plat v

Notice of Intention to Drill v

Sundry Notice \_\_\_\_\_

Completion Report \_\_\_\_\_

Plugging Report \_\_\_\_\_

Authorization to Transport Oil \_\_\_\_\_

DST Reports \_\_\_\_\_

Geological Reports \_\_\_\_\_

Core Analysis Reports \_\_\_\_\_

Logs \_\_\_\_\_

PERMIT NO. 13565

ISSUED: 07/13/93

SITE INSPECTION RECORD

Status of Well \_\_\_\_\_ Inspection Date \_\_\_\_\_ Inspector \_\_\_\_\_

Terrain: Tillable, Prairie, Badlands, Other \_\_\_\_\_

Is site reclamation acceptable for bond release? YES NO

If a reclamation waiver has been granted for the site and/or road, please note below.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Rep. M. Nelson

1C

1440  
1/29/15

### Well Integrity Report - Form 19 Summary

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840

Well File No. **10362**

UIC No. \_\_\_\_\_

Test Date:	7/23/2014 10:38:04 AM		Contractor Performing Pressure Test:	Ham's Well Service	
Operator:	GREAT AMERICAN ROYALTIES, INC.			Telephone:	7012456598
Address:	PO BOX 407	City:	WESTHOPE	State:	ND Zip Code: 58793
Well Name:	STEAD 1		Field:	WAYNE	
Location:	Qtr-Qtr: NENW	Section:	5	Township:	161 Range: 81 Cnty: BOTTINEAU

### WELL TEST DATA

Formation:	MADISON		Perforations:	3772-3812 G Feet	
Tool Type:	CIBP	Depth:	3693 Feet		
Tubing Size:	_____ Inches		Packer Model:	_____	
Well Type:	Production Well	Reason for Test:	TA	Tubing Type:	UNKNOWN
		Test Type:	5 Year MIT		
	<b>BEFORE TEST</b>	<b>START of TEST</b>	<b>END of TEST</b>		
Tubing Pressure:	0 PSIG Shut In	0 PSIG Shut In	0 PSIG Shut In		
Annulus or Casing Pressure:	0 PSIG	1000 PSIG	1000 PSIG		
Annulus or Casing Fluid:	Treated Salt Water		Test Fluid:	Treated Salt Water	
Amount of Fluid Needed to Fill Annulus or Casing:	0 Bbls				
Test Length:	15 Minutes	Was Annulus or Casing Bled to Zero After Test?:	Yes	If No - Pressure Left:	<input type="checkbox"/>

### INSPECTION COMMENTS

Test Result:	Acceptable	Report of Work Done Required:	No
MIT passed, TA Well			

This Report is true and complete to the best of my knowledge.

Company Representative Witnessing Test:	Larry Peterson	Title:	Pumper
Commission Field Inspector Witnessing Test:	Dan Wigen		

NDIC Initials





# SUNDRY NOTICES AND REPORTS ON WELLS - FORM 1

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840  
 SFN 5749 (09-2006)



Well File No.  
**10362**

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND ONE COPY.

<input checked="" type="checkbox"/> Notice of Intent	Approximate Start Date <b>ASAP</b>	<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Report of Work Done	Date Work Completed	<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
<input type="checkbox"/> Notice of Intent to Begin a Workover Project that may Qualify for a Tax Exemption Pursuant to NDCC Section 57-51.1-03.	Approximate Start Date	<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
		<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
		<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Production Method
		<input checked="" type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
		<input type="checkbox"/> Other	

Well Name and Number  
**Stead #1**

Footages	Qtr-Qtr	Section	Township	Range
F L F L	<b>NENW</b>	<b>5</b>	<b>161 N</b>	<b>81 W</b>
Field	Pool	County		
<b>Wayne</b>	<b>Madison</b>	<b>Bottineau</b>		

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s)

Address	City	State	Zip Code
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### DETAILS OF WORK

We would like to keep this in TA status for the possibility with new technology of re-entry.  
 If granted, we will have pressure tested and whatever needed to keep in TA compliance.

- TA STATUS NOT APPROVED. PLEASE SUBMIT PLANS TO BRING WELL BACK INTO COMPLIANCE **(AM)**

- SINCE REQUEST IS FOR RE-INSTATEMENT OF TA STATUS RATHER THAN A REQUEST TO EXTEND THE TA STATUS, CHECK # 4666 <sup>FOR THE</sup> AMOUNT OF \$100.00 IS ATTACHED. **(AM)**

Company <b>Great American Royalties, Inc.</b>	Telephone Number <b>(701) 245-6598</b>
Address <b>PO Box 407, 94 E 3rd Ave</b>	
City <b>Westhope</b>	State <b>ND</b>
Signature <i>Gary Ballent</i>	Printed Name <b>Gary Ballent</b>
Title <b>Its President</b>	Date <b>June 30, 2014</b>
Email Address <b>garyballent@srt.com</b>	

FOR STATE USE ONLY

<input checked="" type="checkbox"/> Received	<input type="checkbox"/> Approved
Date <i>July 7, 2014</i>	
By <i>[Signature]</i>	
Title <b>PETROLEUM ENGINEER</b>	

10362

**Great American Royalties, Inc.**  
**PO Box 407**  
**Westhope, ND 58793**



June 30, 2014

David J. McCusker  
NDIC Oil and Gas Division  
600 E Boulevard Ave, Dept 405  
Bismarck, ND 58505-0840

RE: Stead #1  
NENW Sec. 5, T.161N., R.81W.  
Bottineau County, North Dakota  
Wayne Field  
Well File No. 10362

Dear David,

Received your letter dated June 2, 2014, Certified Mail # 7013 2630 0001 2310 0009, at our Westhope office on June 4, 2014.

I apologize for your not receiving any response to any of the correspondences you had sent out.

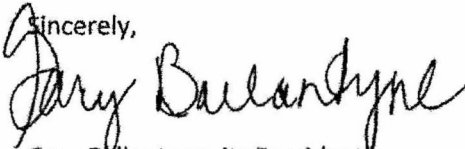
The email [klutch@ndak.net](mailto:klutch@ndak.net) was an email used by Margo Helgerson, our bookkeeper, at one time, but has not been in use for an extended period of time.

I had forwarded your letter dated June 26, 2012 on to a person in our operation, never giving it another thought that it had been answered and taken care of. 2013 went to Klutch. Margo did forward an email from you dated April 1, 2014, which I again forwarded on to an internal person. Again, this was my mistake.

I am enclosing a Sundry Form 4 asking for your consideration to reinstate the TA status.

Have a great 4<sup>th</sup> holiday!

Thank you David.

Sincerely,  
  
Gary Ballantyne, its President  
garyballent@srt.com



10362

# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director  
Department of Mineral Resources  
Lynn D. Helms - Director  
North Dakota Industrial Commission  
[www.dmr.nd.gov/oilgas](http://www.dmr.nd.gov/oilgas)

June 2, 2014

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793

**RE: Stead #1  
NENW Sec. 5, T.161N., R.81W.  
Bottineau County, North Dakota  
Wayne Field  
Well File No. 10362**

Dea Mr. Ballantyne:

The temporarily abandoned (TA) status has expired for the above captioned well. See attached correspondence, i.e. letter dated June 26, 2012, email string sent December 2, 2013 and March 25, 2014 and another email sent April 1, 2014 regarding attempts to have Great American Royalties, Inc. submit a Sundry Notice – Form 4 requesting an extension to the TA status. To date, we have received no response to any of the correspondences. Therefore, the TA status is hereby revoked.

Please submit your plans to bring the well back into compliance.

If you have any questions, do not hesitate to contact me.

Sincerely,

David J. McCusker  
Petroleum Engineer

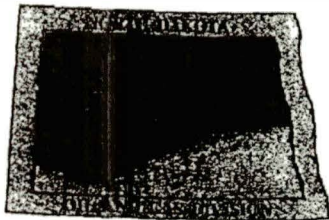
Attachments – 3

CERTIFIED MAIL – 7013 2630 0001 2310 0009

4

Attachment 1

10362



## Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.oilgas.nd.gov

June 26, 2012

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793

**RE: Stead #1  
NENW Sec. 5, T.161N., R.81W.  
Bottineau County, North Dakota  
Wayne Field  
Well File No. 10362**

Dear Mr. Ballantyne:

The temporarily abandoned (TA) status has expired for the above captioned well. At this time place the well back on production or submit for approval a Sundry Notice – Form 4 either detailing plugging procedures or requesting an extension of the TA status. The request to extend the TA status must include:

- The future use of the well.
- The latest inspection date and corresponding pressure reading at the surface.
- The \$100 fee.


The current UIC policy for salt water disposal for new permits is that the surface casing be set at least fifty feet into the Pierre Shale. Future use as a salt water disposal well cannot be considered since the surface casing in this well was not set at least fifty feet into the Pierre Shale.

The previous mechanical integrity tests (MITs) were pressured up to pressures less than 1000 psi. Current TA policy is that all wells be pressured up to 1000 psi. The next MIT will be required to pressure up to 1000 psi.

Order Number 19172 signed on March 19, 2012 authorized an injectivity test through the Bronderslev #2 (9839) well located adjacent to this well. The matter will be reviewed by the Commission at the regularly scheduled hearings in November 2012. The status of this well will be reviewed after the hearings in November 2012.

If you have any questions, do not hesitate to contact me.

Sincerely,

  
David J. McCusker  
Petroleum Engineer

5

**McCusker, David J.**

---

**From:** McCusker, David J.  
**Sent:** Monday, December 02, 2013 9:39 AM  
**To:** 'klutch@ndak.net'  
**Subject:** Stead #1 (10362) Expired TA Status

The Stead #1 (10362) well has an expired temporarily abandoned (TA) status.

Please keep the following in mind:

- The TA status typically expires after one year from the previous approval.
- A request for an extension to the TA status must be submitted on an annual basis.
- A mechanical integrity test (MIT) of at least 1000 psig must be performed at least once every five years (could be more frequent if conditions require it).
- The well must be inspected at least once annually for the presence of pressure or leakage.
- The TA extension request must include:
  - Future use of the well
- Latest inspection date
- Results of the latest inspection
- If pressure is observed, attempt to bleed off pressure. Include results of bleed off attempt.
- \$100 TA extension request fee

Please submit a Sundry Notice – Form 4 for the Stead #1 (10362) well requesting an extension to the TA status being sure to include the future use of the well, the latest inspection date and inspection results and the \$100.00 TA extension request fee.

*If there are any questions, do not hesitate to contact me.*

*Dave McCusker*  
State of North Dakota  
*North Dakota Industrial Commission*  
Department of Mineral Resources  
Oil & Gas Division  
Street Address: 1016 East Calgary Avenue  
Mailing Address: 600 East Boulevard  
Bismarck, ND 58505  
Office: (701) 328-8046  
Fax: (701) 328-8022  
<https://www.dmr.nd.gov/oilgas/>



**McCusker, David J.**

---

**From:** McCusker, David J.  
**Sent:** Tuesday, April 01, 2014 9:48 AM  
**To:** 'psb@srt.com'  
**Subject:** FW: Stead #1 (10362) Expired TA Status

Margo,

As a follow-up to our phone conversation just a few minutes ago, I sent the email below and received an undeliverable response on 03-30-14. Please respond so I know you received this email.

You indicated you were going to forward onto Gary Ballantyne. Thanks.

***Dave McCusker***

State of North Dakota  
North Dakota Industrial Commission  
Department of Mineral Resources  
Oil & Gas Division  
Street Address: 1016 East Calgary Avenue  
Mailing Address: 600 East Boulevard  
Bismarck, ND 58505  
Office: (701) 328-8046  
Fax: (701) 328-8022  
<https://www.dmr.nd.gov/oilgas/>

**From:** McCusker, David J.  
**Sent:** Tuesday, March 25, 2014 2:53 PM  
**To:** 'klutch@ndak.net'  
**Subject:** RE: Stead #1 (10362) Expired TA Status

To date we have not received a response to the request below. Please provide an update.

***Dave McCusker***

State of North Dakota  
North Dakota Industrial Commission  
Department of Mineral Resources  
Oil & Gas Division  
Street Address: 1016 East Calgary Avenue  
Mailing Address: 600 East Boulevard  
Bismarck, ND 58505  
Office: (701) 328-8046  
Fax: (701) 328-8022  
<https://www.dmr.nd.gov/oilgas/>

**From:** McCusker, David J.  
**Sent:** Monday, December 02, 2013 9:39 AM  
**To:** 'klutch@ndak.net'  
**Subject:** Stead #1 (10362) Expired TA Status

The Stead #1 (10362) well has an expired temporarily abandoned (TA) status.

Please keep the following in mind:

- The TA status typically expires after one year from the previous approval.
- A request for an extension to the TA status must be submitted on an annual basis.
- A mechanical integrity test (MIT) of at least 1000 psig must be performed at least once every five years (could be more frequent if conditions require it).
- The well must be inspected at least once annually for the presence of pressure or leakage.
- The TA extension request must include:
  - Future use of the well
- Latest inspection date
- Results of the latest inspection
- If pressure is observed, attempt to bleed off pressure. Include results of bleed off attempt.
- \$100 TA extension request fee

Please submit a Sundry Notice – Form 4 for the Stead #1 (10362) well requesting an extension to the TA status being sure to include the future use of the well, the latest inspection date and inspection results and the \$100.00 TA extension request fee.

If there are any questions, do not hesitate to contact me.

***Dave McCusker***

State of North Dakota

North Dakota Industrial Commission

Department of Mineral Resources

Oil & Gas Division

Street Address: 1016 East Calgary Avenue

Mailing Address: 600 East Boulevard

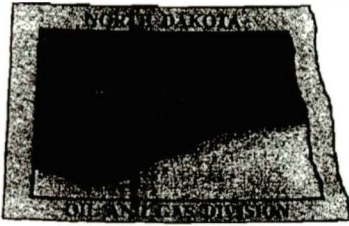
Bismarck, ND 58505

Office: (701) 328-8046

Fax: (701) 328-8022

<https://www.dmr.nd.gov/oilgas/>

10362



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

**Department of Mineral Resources**

Lynn D. Helms - Director

**North Dakota Industrial Commission**

www.oilgas.nd.gov

June 26, 2012

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793

**RE: Stead #1  
NENW Sec. 5, T.161N., R.81W.  
Bottineau County, North Dakota  
Wayne Field  
Well File No. 10362**

Dear Mr. Ballantyne:

The temporarily abandoned (TA) status has expired for the above captioned well. At this time place the well back on production or submit for approval a Sundry Notice – Form 4 either detailing plugging procedures or requesting an extension of the TA status. The request to extend the TA status must include:


- The future use of the well.
- The latest inspection date and corresponding pressure reading at the surface.
- The \$100 fee.

The current UIC policy for salt water disposal for new permits is that the surface casing be set at least fifty feet into the Pierre Shale. Future use as a salt water disposal well cannot be considered since the surface casing in this well was not set at least fifty feet into the Pierre Shale.

The previous mechanical integrity tests (MITs) were pressured up to pressures less than 1000 psi. Current TA policy is that all wells be pressured up to 1000 psi. The next MIT will be required to pressure up to 1000 psi.

Order Number 19172 signed on March 19, 2012 authorized an injectivity test through the Bronderslev #2 (9839) well located adjacent to this well. The matter will be reviewed by the Commission at the regularly scheduled hearings in November 2012. The status of this well will be reviewed after the hearings in November 2012.

If you have any questions, do not hesitate to contact me.

Sincerely,  
  
David J. McCusker  
Petroleum Engineer

10362



March 19, 2012

NDIC Oil and Gas Division  
600 East Boulevard Ave Dept 405  
Bismarck, ND 58505-0840

Re: Stead #1  
NE NW Sec 5 161N 81W  
Well File #10362

Attn: David McCusker

Mr. McCusker,

The above well has not produced since November 1987. It has a long history of being in abandoned status, then temporary abandoned (TA) status, and now overdue for TA renewal. (TA was last approved February 11, 2009).

Some of the reasons that Great American Royalties have given for needing TA status in the past are:

Possible use for injection or production well in a unit that has never been proposed or planned.

Possible use for SWD for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled, and based on progress toward that, will never be drilled.

And repeatedly, no reason at all.

**This well needs to be plugged as required by state statutes and regulations.** Nothing has been done to utilize it since 1987. No payments or compensation are being paid to the surface owner. It is preventing the use of its location for cropland, it is an unnecessary obstacle to farming the land, and it is holding a mineral lease even though no production or royalties are being paid to the mineral owners.

Please acknowledge receipt and place this letter in the well file, #10362.

*This is in regard to the Robert Stead Trust my dad.*

Roberta Halstead  
2091 99<sup>th</sup> St NW  
Westhope, ND 58793  
Surface Owner

*Roberta Halstead*

# Well Integrity Report - Form 19 Summary

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
OIL AND GAS DIVISION  
600 EAST BOULEVARD DEPT 405  
BISMARCK, ND 58505-0840

Well File No. **10362**

UIC No. \_\_\_\_\_

Test Date: 11/13/2009 10:28:51 AM Contractor Performing Pressure Test: Ward Williston  
Operator: GREAT AMERICAN ROYALTIES, INC. Telephone: 7012456598  
Address: PO BOX 407 City: WESTHOPE State: ND Zip Code: 58793  
Well Name: STEAD 1 Field: WAYNE  
Location: Qtr-Qtr: NENW Section: 5 Township: 161 Range: 81 Cnty: BOTTINEAU

## WELL TEST DATA

Formation:	<u>MADISON</u>	Perforations:	<u>3772-3812 G</u> Feet
Tool Type:	<u>CIBP</u>	Depth:	<u>3693</u> Feet
Tubing Size:	<u>      </u> Inches	Packer Model:	<u>      </u>
Well Type:	<u>Production Well</u>	Tubing Type:	<u>      </u>
Reason for Test:	<u>TA</u>	Test Type:	<u>5 Year MIT</u>
<b>BEFORE TEST</b> <b>START of TEST</b> <b>END of TEST</b>			
Tubing Pressure:	<u>      </u> PSIG	<u>      </u> PSIG	<u>      </u> PSIG
Annulus or Casing Pressure:	<u>0</u> PSIG	<u>620</u> PSIG	<u>610</u> PSIG
Annulus or Casing Fluid:	<u>Treated Salt Water</u>	Test Fluid:	<u>Salt Water</u>
Amount of Fluid Needed to Fill Annulus or Casing:	<u>0</u> Bbls		
Test Length:	<u>15</u> Minutes	Was Annulus or Casing Bled to Zero After Test?:	<u>Yes</u> If No - Pressure Left: <u>      </u>

## INSPECTION COMMENTS

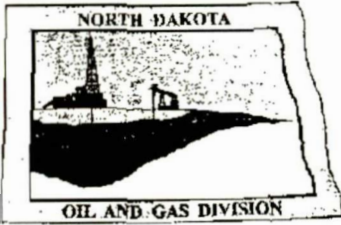
Test Result:	<u>Acceptable</u>	Approved TA Status:	<u>Yes</u>
Report of Work Done Required:	<u>No</u>		

This Report is true and complete to the best of my knowledge.

Company Representative Witnessing Test: Larry Peterson Title: Pumper  
Commission Field Inspector Witnessing Test: Scott Ladner

NDIC Initials

WAW



# Oil and Gas Division

Lynn D. Helms - Director      Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov/oilgas

10362

March 2, 2009

Great American Royalties Inc  
PO Box 407  
Westhope, ND 58793

RE: Stead #1	Amanda Peterson SWD #1
NENW 5-161N-81W	SENE 35-162N-82W
Bottineau County	Bottineau County
Well File #10362	Well File #90020
Last MIT: 11-14-2003 (5yr Frequency)	Last MIT: 12-18-2003 (3yr Frequency)

Gentlemen:

The pressure tests for the above captioned wells are overdue. The pumper was notified in December 2008 and said he would take care of it. To this date, the pressure tests have not been performed and need to be done as soon as possible. Thank you for your prompt attention.

If you have any questions, feel free to contact our office at 720-3356.

Sincerely,

*Scott Ladner*  
Scott Ladner  
Field Inspector

SLL/kel



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5749 (1-94)

Well File Number  
 10362

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Prognosis  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_

Well Name and Number  
 Stead 1

Footages  
 4000 505 FNL, 1980 FNL

Qtr-Qtr  
 NE NW

Section  
 5

Township  
 161

Range  
 81

Field  
 Wayne

Pool  
 Madison

County  
 Bottineau

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor  
 Great American Royalties

Address  
 PO Box 407

City  
 Westhope

State  
 ND

Zip Code  
 58793

**DETAILS OF WORK**

Extension of Temporarily abandonment

Reason possible injection or production well for field Unit

Revised check sent along for \$100. checked

Company  
 Great American Royalties

Address  
 PO Box 407

City  
 Westhope

State  
 ND

Zip Code  
 58793

By  
 Larry Peterson

Date  
 2-6-08

Title  
 Field Engineer

Telephone Number  
 701-756-6257

**FOR OFFICE USE ONLY**

Received  Approved

Date  
 February 11, 2008

By  
 David McLuskey

Title  
 PETROLEUM ENGINEER



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)

Well File Number  
10362

500 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date 1-08

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Progress  Spill Report  
 Redrilling or Repair  Shooting  
 Casing or Line  Acidizing  
 Plug Well  Fracture Treatment  
 Supplemental History  Change Producing Method  
 Temporarily Abandon  Reclamation  
 Other \_\_\_\_\_



Well Name and Number Stead 1

Footages	<u>400 505 FUL</u>	Qtr-Qtr	<u>NE NW</u>	Section	<u>5</u>	Township	<u>161</u>	Range	<u>81</u>
Field	<u>Wayne</u>	Pool	<u>Madison</u>	County	<u>Bottineau</u>				

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**DETAILS OF WORK**

apply for extension of Temporarily abandonment

- NOT APPROVED AT THIS TIME (DM)
- AS OF JANUARY 1, 2008, \$100 FEE IS REQUIRED. (DM)
- NEED FUTURE USE OF WELL TO BE INDICATED. (DM)
- PLEASE RESUBMIT REQUEST w/ \$100 FEE & INDICATE FUTURE USE OF WELL (DM)

Company Great American Royalties

Address PO Box 407

City Westhope N.D State ND Zip Code 58793

By Larry Peterson Date 1-18-08

Title Field Foreman Telephone Number 701 756 6257

FOR OFFICE USE ONLY

Received  Approved

Date February 5, 2008

By Daniel M. Giesey

Title PETROLEUM ENGINEER



10362

November 13, 2007

GREAT AMERICAN ROYALTIES INC  
PO BOX 407  
WESTHOPE, ND 58793

RE:       STEAD 1  
          NENW 5-161N-81W  
          BOTTINEAU COUNTY  
          WELL FILE NO.: 10362  
          Current TA Date : 7/17/2001  
          Original TA Date : 1/31/1997

Gentlemen:

The temporarily abandoned (TA) status has expired for the above captioned well. At this time please place this well back on production, submit a request for extension of TA status, or submit plugging procedures to our office for approval. If you have any questions, feel free to contact our office.

Sincerely,

Scott Ladner  
Field Inspector

sl/k1

# Well Integrity Report - Form 19 Summary

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0840

Well File No. **10362**  
 UIC No. \_\_\_\_\_

Test Date: **11/14/2003 1:40:43 PM** Contractor Performing Pressure Test: **Ward Williston**  
 Operator: **GREAT AMERICAN ROYALTIES, INC.** Telephone: **701-245-6598**  
 Address: **PO BOX 407** City: **WESTHOPE** State: **ND** Zip Code: **58793**  
 Well Name: **STEAD 1** Field: **WAYNE**  
 Location: Qtr-Qtr: **NENW** Section: **5** Township: **161** Range: **81** Cnty: **BOTTINEAU**

## WELL TEST DATA

Formation:	<b>MADISON</b>		Perforations:	<b>3772-4002 G Foot</b>	
Tool Type:	<b>CIBP</b>	Depth:	<b>3692 Feet</b>		
Tubing Size:	_____ Inches		Packer Model:	_____	
Well Type:	<b>Production Well</b>	Reason for Test:	<b>TA</b>	Test Type:	<b>5 Year MIT</b>
	<b>BEFORE TEST</b>		<b>START of TEST</b>		<b>END of TEST</b>
Tubing Pressure:	<b>0 PSIG</b>	<b>Flowing</b>	<b>640 PSIG</b>	<b>Flowing</b>	<b>640 PSIG</b>
Annulus or Casing Pressure:	<b>0 PSIG</b>		<b>640 PSIG</b>		<b>640 PSIG</b>
Annulus or Casing Fluid:	<b>Treated Salt Water</b>		Test Fluid:	<b>Salt Water</b>	
Amount of Fluid Needed to Fill Annulus or Casing:	<b>0.2 Bbls</b>				
Test Length:	<b>15 Minutes</b>	Was Annulus or Casing Bled to Zero After Test?:	<b>Yes</b> If No - Pressure Left: _____		

## INSPECTION COMMENTS

Test Result:	<b>Acceptable</b>	Approved TA Status:	<b>No</b>
Report of Work Done Required:	<b>No</b>		

This Report is true and complete to the best of my knowledge.

Company Representative Witnessing Test: **Larry Peterson** Title: **Pumper**  
 Commission Field Inspector Witnessing Test: **Jim Duffy**

NDIC Initials **(DMW)**

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

September 29, 2003

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1	Skarphol #1-10	Wm. Witteman #1
NE NW 5-161N-81W	SE NW 10-163N-78W	NE SE 35-162N-82W
Well File No. 10362	Well file #8019	Well file #8849

Dear Mr. Ballantyne:

Hi, Gary, hope you had a great summer! I thought I would send a reminder that I could release a couple of wells off of Great American Royalties' bond if a few things are done. On the Skarphol #1-10 well site, the electrical conduit on the pad needs to be removed, and then you will need to submit a signed release from Mr. Skarphol for the gravel left on the road and pad.

Also, the Witteman #1 location has been restored except for the old flare pit area. Stan had left a mound over it and has still not leveled it. It would be great for the farmer if it could be done yet this fall.

Regarding the Stead #1 well, we still need to pressure test the casing to TA the well. If you have changed your mind and no longer want to TA the well, please proceed with the plugging of this well. If you have any questions please feel free to call me at 701/ 857-7646 (office) or 701/ 720-3523 (cell).

Sincerely

*Jim Dufty*  
Jim Dufty  
Field Inspector

JCD/kl

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

January 23, 2003

Mr. Gary Ballantyne  
Great America Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The temporary abandonment (TA) status for the above captioned well expired on July 17, 2001. This status is granted for a specific time period, and must be reapplied for when that time has elapsed. Before the TA status can be extended for a well temporarily abandoned for over 5 years, it is required that the well be pressure tested again. Also, the request must include the reason your company wants the status extended.

At this time please submit a request on the enclosed sundry notice (form 4) for extension of the temporary abandonment status for this well. If you have any questions, feel free to contact our office.

Sincerely

*James Dufty/kl*  
James Dufty  
Field Inspector

JCD/kl



# SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK, ND 58505-0640  
 SFN 5749 (34-99)

Well File No.  
 10362

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND THREE COPIES.

Notice of Intent Approximate Start Date  
\_\_\_\_\_

Report of Work Done Date Work Completed  
\_\_\_\_\_

Drilling Prognosis  Spill Report

Redrilling or Repair  Shooting

Casing or Liner  Acid zing

Plug Well  Fracture Treatment

Supplemental History  Change Production Method

Temporarily Abandon  Reclamation

Other \_\_\_\_\_

Well Name and Number  
 Stead #1

Footages 505 F N L	1990 F W L	Qtr-Qtr NENW	Section 5	Township 161 N	Range 81 W
Field Wayne	Pool Madison	County Bottineau			

24-HOUR PRODUCTION RATE			
Before		After	
Oil	Bbls	Oil	Bbls
Water	Bbls	Water	Bbls
Gas	MCF	Gas	MCF

Name of Contractor(s) \_\_\_\_\_

Address _____	City _____	State _____	Zip Code _____
---------------	------------	-------------	----------------

### DETAILS OF WORK

Requesting an extension of the temporary abandonment status.

Our plans are to hopefully drill a horizontal well in the Peterson/Stead pooled acreage and to use the Stead #1 for a disposal.

Company Great American Royalties, Inc.	Telephone Number 701-245-6598
Address PO Box 407	
City Westhope	State ND
Zip Code 58793-0407	
Signature <i>Gary Ballantyne</i>	Printed Name Gary Ballantyne
Title its president	Date 7-16-2001

FOR STATE USE ONLY		
Received	X	Approved
Date	<i>July 17, 2001</i>	
By	<i>David M. Lusher</i>	
Title	<b>PETROLEUM ENGINEER</b>	



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 600 EAST BOULEVARD DEPT 405  
 BISMARCK ND 58505-0840  
 SFN 5749 (04-99)

Well File No.  
10362



PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM.  
 PLEASE SUBMIT THE ORIGINAL AND THREE COPIES

Notice of Intent

Approximate Start Date

Report of Work Done

Date Work Completed

Drilling Program

Redrilling or Repair

Casing or Liner

Plug Well

Supplemental History

Temporarily Abandon

Other

Spill Report

Shooting

Acidizing

Fracture Treatment

Change Production Method

Reclamation

Well Name and Number  
Stead #1

Footages 505 F N L 1980 F W L	Qtr-Qtr NE NW	Section 5	Township 162 N	Range 81 W
Field Wayne	Pool Madison	County Bottineau		

**24-HOUR PRODUCTION RATE**

	Before	After
Oil	Bbls	Oil Bbls
Water	Bbls	Water Bbls
Gas	VCF	Gas VCF

Name of Contractor(s)

Address City State Zip Code

**DETAILS OF WORK**

Requesting an extension of the temporary abandonment status.

RESUBMIT w/ INTENDED FUTURE USE OF WELL. *(DMD)*

Company Great American Royalties, Inc.	Telephone Number 701-245-6598
Address PO Box 407	
City Westhope	State ND
Signature <i>Gary Ballantyne</i>	Zip Code 58793
Printed Name Gary Ballantyne	Date 06-25-01
Title its president	

**FOR STATE USE ONLY**

<input checked="" type="checkbox"/>	Received	<input type="checkbox"/>	Approved
Date	July 5, 2001		
By	<i>David D. McAuliffe</i>		
Title	PETROLEUM ENGINEER		



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)

Well File Number  
 10362

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Progress  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
 Stead #1

Footages	Qtr. Qtr. NE NW	Section 5	Township 162N	Range 81W
Field Wayne	Pool Madison	County Bottineau		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address	City	State	Zip Code
---------	------	-------	----------

**DETAILS OF WORK**

Requesting an extension of the temporary abandonment status.

Company Great American Royalties, Inc.	
Address PO Box 407	
City Westhope	State Zip Code ND 58793-0407
By <i>Cheryl Balentine</i>	Date 06-21-2000
Title its president	Telephone Number 701-245-6598

FOR OFFICE USE ONLY

Received  Approved

Date  
JUN 28 2000

By  
*[Signature]*

Title  
Horizontal Drilling Supervisor

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

March 15, 2000

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Problems With Wells

Dear Mr. Ballantyne:

The wells on the attached list are in violation of one or both of the following North Dakota Administrative Code Rules (copies of the applicable rules are enclosed):

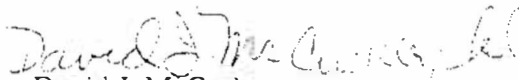
Section 43-02-03-17 – Sign on Well – “Every well associated with the production of oil and gas... shall be identified by a sign posted... not more than 20 feet from the well...”

Section 43-02-03-49 – Oil Tanks and Dikes – “Oil shall not be stored or retained in earthen reservoirs or in open receptacles. Dikes constructed of sufficiently impermeable material to provide emergency containment and of sufficient dimension to contain the maximum total volume stored must be erected and kept around all oil tanks or battery of tanks when deemed necessary by the director. Accidentally discharged oil must be properly removed and may not be allowed to remain standing within the diked area.

Numbered metal security seals shall be properly utilized on all oil access valves and access points to secure the tank or battery of tanks.”

If you have any questions, feel free to contact our office.

Sincerely,



David J. McCusker  
Field Inspector

DJM/kl



Mr. Orlyn Ballantyne

March 15, 2000

Page 2

#8459. Wilmar Peterson #12-36

A dart must be utilized at this well.

#8849. WM. Witteman #1

A seal must be utilized at this location.

#8848. Larry Peterson #1

Build up the dikes at the central tank battery and treater when conditions permit.

#10362. Stead #1

Have a sign installed at this well.

#10172. Daryl Peterson #1

When conditions permit, have the dikes built up at the central tank battery and at the treater on this location.



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SPN 5749 (1-94)

Well File Number  
10362

600 East Boulevard  
Bismarck, ND 58506

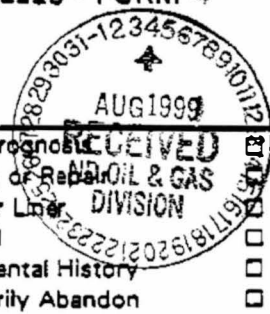
PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
Approximate Start Date \_\_\_\_\_

Report of Work Done  
Date Work Completed \_\_\_\_\_

Drilling Prognosis  
 Redrilling or Reperforating  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporary Abandonment

Soil Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
Stead #1

Footages	Qtr-Qtr NE NW	Section 5	Township 161N	Range 81W
Field	Pool	County		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**DETAILS OF WORK**

Requesting an extension of the temporary abandonment status

Company  
Great American Royalties, Inc.

Address  
P.O. Box 407

City  
Westhope

State  
ND

Zip Code  
58793

By  
*Mary Baerentzen*

Date  
8-28-99

Title  
its President

Telephone Number  
701-245-6598

**FOR OFFICE USE ONLY**

Received  Approved

Date  
8-4-99

By  
*Kelly [Signature]*

Title  
He Drilling Supervisor

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION** *10362*

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks  
ASSISTANT DIRECTOR

July 26, 1999

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The temporary abandonment status has expired on the above captioned well. At this time please submit a request on the attached sundry notice (form 4) for extension of the temporary abandonment status. No mechanical integrity test is required for this well. If you have any questions, feel free to contact our office.

Sincerely,



David J. McCusker  
Field Inspector

DJM/kl

Enclosure

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Lynn D. Helms  
DIRECTOR

<http://explorer.ndic.state.nd.us>

F.E. Wilborn  
ASSISTANT DIRECTOR

June 16, 1999

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Please have a lease sign installed at the above captioned well, as per Section 43-02-03-17 of the North Dakota Administrative Code (Sign On Well). If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

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NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
DIRECTOR

F.E. Wilborn  
ASSISTANT DIRECTOR

July 7, 1998

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Enclosed is a copy of correspondence dated April 9, 1998, from our office concerning abandonment of the above captioned well. To date we have not received procedures for plug and abandonment or a request for extension of the temporary abandonment status.

Please submit for approval plug and abandonment procedures or a request for extension of the temporary abandonment status for this well. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

Enclosure



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5749 (1-94)

Well File Number  
 10362

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Prognosis  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
 Stead # 1

Footage	Qtr-Qtr NE 4 NW 4	Section 5	Township 161	Range 81
Field Wayne	Pool Madison	County Battureau		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

DETAILS OF WORK

Request for extension of the TA status on this well.

Company Great American Royalties, Inc.

Address P.O. Box 407

City Westhope State ND Zip Code 58443

By Gary Ballantine Date 7-6-98

Title its President Telephone Number 701-245-16598

FOR OFFICE USE ONLY

Received  Approved

Date 7-9-98

By [Signature]

Title [Signature]

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
DIRECTOR

F.E. Wilborn  
ASSISTANT DIRECTOR

April 9, 1998

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The above captioned well has not produced since November 1987, and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that the failure to produce oil for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

Please submit for approval plug and abandonment procedures or a request for extension of the temporary abandonment status on the enclosed Sundry Notice (Form 4). If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

Enclosure

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 5, 1998

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The temporary abandonment status of the above captioned well expired on January 31, 1998. This status is granted for a specific time period, usually one year, and must be reapplied for when that time has expired.

At this time please submit a request for extension of the status on this well. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl



NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 11, 1997

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Lease Signs

Dear Mr. Ballantyne:

As was previously brought to your attention, the wells listed below are in violation of Section 43-02-03-17 of the North Dakota Administrative Code (Sign on Well). A copy of this rule has been enclosed for your convenience.

#7815, Thomas Hedges #3  
#7317, Thomas Hedges #2  
#7319, Steinhaus #1  
#7318, Steinhaus #2R  
#7817, Esther Steinhaus #1  
#10362, Stead #1  
#11685, Kornkven #1-31  
#11520, Lois Patterson #1

Please have these signs posted as soon as possible. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

Enclosure

31



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)

Well File Number  
**10362**

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed 12-11-96

Drilling Prognosis  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
**Stead #1**

Footages	Qtr-Qtr <b>NE4NW4</b>	Section <b>5</b>	Township <b>161</b>	Range <b>81</b>
Field <b>Wayne</b>	Pool <b>Madison</b>	County <b>Bottineau</b>		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address	City	State	Zip Code
---------	------	-------	----------

**DETAILS OF WORK**

12-10-96 Move snow, and move off pumping unit. Change well head for plug installation and pressure test.

12-11-96 Missouri Valley Perforating ran toll in well to find bottom plug, plug set at -3,890 feet from surface. Ran in cast iron bridge plug and set at -3692 feet from surface, release Missouri Valley Perforating and pack up well head. Ward Williston filled casin with salt water and pressured casing to 1,000 lbs. pressure inspected and okayed by state field man..

Company <b>Great American Royalties</b>	
Address <b>Box 407</b>	
City <b>Westhope</b>	State   Zip Code <b>ND   58793</b>
By <b>Gary Ballantyne</b>	Date <b>1-29-97</b>
Title <b>President</b>	Telephone Number <b>(701) 245-6598</b>

FOR OFFICE USE ONLY

Received  Approved

Date  
**1-31-97**

By  
*[Signature]*

Title  
**RECLAMATION SUPERVISOR**

*Great American Royalties*  
*By: Gary Ballantyne, its President*

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

December 30, 1996

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Please submit a Sundry Notice (Form 4) detailing the work performed on the above captioned well, and include a request for temporary abandonment status. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl



**WELL INTEGRITY REPORT - FORM 19**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5767 (10-93)

600 East Boulevard  
 Bismarck, ND 58505



Date <b>December 10, 1996</b>	UIC Number <b>N/A</b>	File Number <b>13062, 10362</b>
Reason For Test <b>T.A. Status</b>	<input type="checkbox"/> Disposal Well <input type="checkbox"/> Production Well <input type="checkbox"/> Enhanced Recovery Well <input type="checkbox"/> Other	
Name of Operator <b>Great American Roy Inc</b>	Address	
Well Name and Number <b>Stead #1</b>	Field <b>Wayne</b>	County <b>Bott.</b>
Location of Well		
Qtr.-Qtr.: <b>Ne Nw</b>	Section: <b>05</b>	Township: <b>161</b> Range: <b>81</b>
Name of Contractor Performing Pressure Test <b>Ward-Willeston</b>		

**BEFORE TEST**

Tubing Pressure psig <input type="checkbox"/> FTP or <input checked="" type="checkbox"/> SITP	Annulus or Casing Pressure <b>0</b> psig
Annular Fluid <b>S.W. &amp; oil</b>	Fluid Used to Test <b>S.W.</b>
Amount of Fluid Needed to Fill Annulus or Casing <b>Full</b> bbl	

**START OF TEST**

Tubing Pressure psig <input type="checkbox"/> FTP or <input checked="" type="checkbox"/> SITP	Annulus or Casing Pressure <b>1010</b> psig
--	--

**END OF TEST**

Tubing Pressure psig <input type="checkbox"/> FTP or <input checked="" type="checkbox"/> SITP	Annulus or Casing Pressure <b>1010</b> psig
Length of Test <b>15</b> Minutes	Was Annulus or Casing Bled Off to Zero After Test? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No - Pressure Left    psig

**WELL DATA**

Formation <b>md</b>	Perforations <b>3772 - 4002</b>	Feet
Packer Depth <b>CIBP #1 @ 3692</b> Feet	Packer Model	
Tubing Size <b>None</b> Inches	Tubing Type <b>None</b>	

DOES THIS WELL APPEAR TO BE COMPLETED IN ACCORDANCE WITH CHAPTER 43-02-05-06 OF THE NORTH DAKOTA ADMINISTRATIVE CODE?  
 YES     NO - EXPLAIN BELOW.

**CIBP #1 was set @ 3890 - Tagged**

**CIBP #2 was set @ 3692'**

**Tested with no tubing in hole!**

I hereby certify that this report is true and complete to the best of my knowledge.

Signature of Company Representative Witnessing Test <i>Great American Roy Inc</i>	Title
Signature of NDOGD Field Inspector Witnessing Test <i>Jonker Johnson</i>	

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

November 20, 1996

Mr. Gary Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

In your letter dated October 29, 1996, you had requested that the above captioned well be granted temporary abandonment status due to its potential as a saltwater disposal well. Section 43-02-03-55 of the North Dakota Administrative Code states in part that if a well is granted temporary abandonment status the perforations in the well must be isolated, integrity of the casing proven, and the casing sealed at the surface, all in a manner approved by the Director.

Should this well be granted temporary abandonment status, or if it is to be utilized as a saltwater disposal well, the perforations must be isolated.

This well remains in violation of Section 43-02-03-55 of the Code and must be brought into compliance by December 15, 1996, or a show cause hearing will be scheduled. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

CERTIFIED MAIL - Z 046 314 855

cc: F. E. Wilborn

10362

**GREAT AMERICAN ROYALTIES, INC.**  
PO BOX 407  
WESTHOPE, ND 58793  
(701) 245-6598 Fax (701) 245-6597



October 29, 1996

North Dakota Industrial Commission  
600 East Boulevard  
Bismarck, ND 58505

RE: Stead #1  
NE NW Sec.5-161N-181W  
Bottineau County, ND  
Well File No. 10362

Dear Mr. Wilborn and Mr. Wollan:

We had asked the commission, Case No. 6397, Order No. 7434, to consider the application of Great American Royalties, Inc., for an order amending the field rules for the Wayne-Madison Pool so as to create and establish a 320-acre spacing unit consisting of the N/2 of section 5, T.161N., R.81W., Bottineau County, ND. We were granted one horizontal well per 320 acres.

Our intentions were to drill this well while we were in the Wayne Field drilling the Hedges/Steinhaus 10H, 9H Redrill and the Bronderslev.

In checking the records, we found that Jane Ballantyne Hegeler, acting as Secretary-Treasurer, had assigned the lease ownership of Great American Royalties, Inc., to family members.

With GAR, INC., in litigation in Bexar County, Texas, we pray you to allow us a **temporary abandonment** for one year. We hope to have a horizontal well completed by then, and will use the Stead #1 for a salt water disposal.

Our attorney is meeting before the Judge on November 8, 1996, so hopefully this will all be taken care of in our court case in Texas.

Yours Truly,  

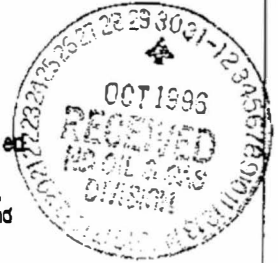

Gary Ballantyne, its President  
enclosure assignment of oil and gas lease, document no. 335964

ASSIGNMENT OF OIL AND GAS LEASES

STATE OF NORTH DAKOTA }  
COUNTY OF BOTTINEAU }

KNOWN ALL MEN BY THESE PRESENTS,

That GREAT AMERICAN ROYALTIES, INC. of Minot, North Dakota, hereinafter called "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, the receipt of which is hereby acknowledged, does hereby GRANT, CONVEY, SELL, ASSIGN, TRANSFER AND DELIVER all its right, title, and interest in and to the oil and gas leases described as follows:



1) Between Robert Stead Trust, Glenn K. Swanson, Trustee as Lessor and Elkota Resources as Lessee, dated July 12, 1991, recorded, as document 334009 Book 338 Page 288, Misc. Records of Bottineau County, North Dakota, which covers, Township 161 North, Range 81 West, Section 5: Lots 3, 4, S/2NW/4, SW/4.

2) Between AgriBank, FCB as Lessor and Elkota Resources as Lessee, dated May 17, 1984, recorded as document 333477 Book 338 Page 654, Misc. Records of Bottineau County, North Dakota, which covers, Township 161 North, Range 81 West, Section 5: SW/4, W/2NW/4

3) Between AgriBank, FCB, as Lessor and Elkota Resources as Lessee, dated October 9, 1992, recorded in Book 328 Page 616, Misc. Records of Bottineau County, North Dakota, which covers, Township 161 North, Range 81 West, Section 5: Lots 3, 6E/4NW/4,

unto the following (herein called Assignees), in the percentages set forth next to their names:

- |                              |                              |
|------------------------------|------------------------------|
| Russell E. Ballantyne 50.00% | Stephen P. Ballantyne 10.00% |
| P.O. Box 207                 | 214 Morning side Drive       |
| Westhope, ND 58793           | San Antonio, TX 78209        |
| Todd J. Ballantyne 10.00%    | Jane B. Hegeler 10.00%       |
| 501 Desert West Drive        | 26 West Vista Avenue         |
| Rancho Mirage, CA 92270      | Phoenix, AZ 85021            |
| Sue S. Ballantyne 10.00%     | Kim A. Ballantyne 10.00%     |
| 76762 Daffodil West Drive    | 565 Grandview Place          |
| Palm Desert, CA 92260        | San Antonio, TX 78209        |

together with all rights incident thereto and the personal property thereon, or used or obtained in connection therewith, including, but not limited to, all wells, casing, tubing, tanks, separators, rods, pumps, flow lines, fixtures, easements, roads, and other appurtenances.

This Assignment is made without any warranties whatsoever, expressed or implied.

EXECUTED this 30th day of July, 1994.

ASSIGNOR:  
GREAT AMERICAN ROYALTIES, INC.

*Jane Ballantyne Hegeler*  
Jane Ballantyne Hegeler  
Secretary-Treasurer



State of Arizona }  
County of Maricopa }

This instrument was acknowledged before me on the 30 day of July, 1994 by Jane Ballantyne Hegeler, Secretary-Treasurer of Great American Royalties, Inc., a North Dakota Corporation on behalf of said corporation.



*Janie Bradford*  
Notary Public, State of Arizona  
Commission Expires AUG 3 1995

STATE OF NORTH DAKOTA }  
COUNTY OF BOTTINEAU, }  
I hereby certify that the within instrum  
ent was filed for record in this office  
on 30 day of JULY, 1994.  
DOCUMENT NO. 335964

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

September 26, 1996

Mr. Orlyn Ballantyne  
Great American Royalties  
PO Box 407  
Westhope, ND 58793-0407

RE: Stead #1  
NE NW Sec. 5-161N-181W  
Well File No. 10362

Dear Mr. Ballantyne:

In correspondence dated April 1, 1996, you had requested and received an extension of the plugging requirements for 60 days.

At this time you are to either submit detailed plans for bringing this well into compliance or submit for approval plug and abandonment procedures; and proceed with plugging operations upon receipt of approval.

Failure to comply will put you at risk for further action by the Commission. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

CERTIFIED MAIL - Z 046 314 851

cc: Glenn Wollan  
F. E. Wilborn





**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5749 (2-92)



PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Progress  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other Extension on  
plugging

Well Name and Number  
Great American

Footages <u>505' FNL-1980' FWL</u>	Qtr-Qtr <u>NE NW</u>	Section <u>5</u>	Township <u>161</u>	Range <u>81</u>
Field <u>Wayne</u>	Pool <u>Madison</u>	County <u>Bottineau</u>		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor \_\_\_\_\_

Address _____	City _____	State _____	Zip Code _____
---------------	------------	-------------	----------------

**DETAILS OF WORK**

See Attached Letter dated April 1, 1996

Company  
Great American

Address \_\_\_\_\_

City <u>Westhope, ND</u>	State <u>ND</u>	Zip Code _____
By <u>Robert Post Johnson</u>	Date <u>4/1/96</u>	
Title <u>Consulting Geologist</u>	Telephone Number <u>223-3588</u>	

FOR OFFICE USE ONLY

Received  Approved

Date  
4-1-96

By  
Bruce E. Huls

Title  
Manager of Horizontal Drilling



**HARRIS, BROWN & KLEMER, INC.**  
CONSULTING GEOLOGISTS  
P.O. BOX 5006 • BISMARCK, ND 58502



TELEPHONE (701) 223-3588

April 1, 1996

Robert Post Johnson, President  
Roger N. Borchert, Secretary-Treasurer  
~~Terry L. Harris, Vice-President~~

Bruce Hicks  
NDIC Oil & Gas Division  
600 E Boulevard  
Bismarck, ND 58505

RE: Great American Royalties #1 Stead  
NE NW 5, T161N-R81W  
Wayne Madison Pool  
Bottineau Co., ND

Dear Bruce,

As per our telephone conversation last week, I am submitting a Sundry Notice Form 4 requesting an extension for the plugging requirement on the above captioned well. About three weeks ago, Great American hired me to evaluate the possibilities of re-entering this well and attempting a horizontal completion in the Wayne Pay. Due to previous commitments, and out-of-town wellsite duty, I was unable to initiate and complete my study of this proposal within the time frame requested by the state. I am therefore requesting an extension of the plugging requirements for a period of sixty days, which will give me time to:

- 1) Evaluate the geology of the Stead #1 location.
- 2) Prepare AFE's on a re-entry of Stead #1 and a grass roots well to compare costs on which would be most economic alternative.
- 3) Get on the docket for a horizontal spacing unit which will include either the NW1/4 or the N 1/2 of section 5.
- 4) Prepare exhibits for such case.

Should it be more practical and economic to drill grass roots well, the Stead #1 will be plugged as soon as practical as per the state's requirements.

Sincerely Yours

Robert Post Johnson  
Consulting Geologist



**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)

Well File Number  
 10362

600 East Boulevard  
 Bismarck, ND 58505

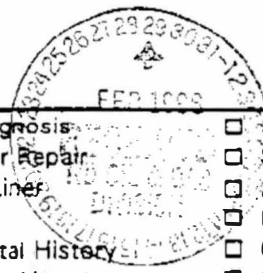
PLEASE READ INSTRUCTIONS ON BACK OF FORM

Notice of Intent  
 Approximate Start Date \_\_\_\_\_

Report of Work Done  
 Date Work Completed \_\_\_\_\_

Drilling Prognosis  
 Redrilling or Repair  
 Casing or Liner  
 Plug Well  
 Supplemental History  
 Temporarily Abandon

Spill Report  
 Shooting  
 Acidizing  
 Fracture Treatment  
 Change Producing Method  
 Reclamation  
 Other \_\_\_\_\_



Well Name and Number  
 Stead #1

Footages	Qtr-Qtr NE NW	Section 5	Township 161	Range 81
Field	Pool	County		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor  
 Harris, Brown, & Klemer

Address Box 5006	City Bismarck	State N. Dak.	Zip Code 58502
---------------------	------------------	------------------	-------------------

**DETAILS OF WORK**

1. We have secured the geological services of Robert Johnson of Harris, Brown, and Klemer and are now in preliminary stages of planning a feasibility study for a HRZ re-entry.

2. We have also been in contact with Jim Culshaw of Culshaw Petroleum Services Inc. for opinions of procedures and availability of HRZ drilling rigs.

3. Bottineau County Abstract Company is doing a complete title check.

Company Great American Royalties	
Address Box 407	
City Westnope	State ND
	Zip Code 58793
By Gary Ballantyne	Date 2/27/96
Title President	Telephone Number 701-245-6598

FOR OFFICE USE ONLY

Received  Approved

Date  
 FEB 29 1996

By  
*F E Williams*

Title  
 Assistant Director

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Weeley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 23, 1996

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Lease Signs

Dear Mr. Ballantyne:

The lease signs which were requested in the enclosed copy of correspondence dated July 19, 1995, have not been installed to date.

Please inform me as to when you plan to install the signs. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

enc.

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

July 19, 1995

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Lease Signs

Dear Mr. Ballantyne:

The wells listed below are in violation of Section 43-02-03-17 of the North Dakota Administrative Code (Sign on Well). A copy of this rule has been enclosed for your convenience.

#8019, Skarphol #1-10  
#9275, Amanda Peterson #31-35  
#8848, Larry Peterson #1  
#9270, M. Foss #1  
#8849, Wm. Witteman #1  
#7815, Thomas Hedges #3  
#7317, Thomas Hedges #2  
#7319, Steinhaus #1  
#7318, Steinhaus, #2R  
#7817, Esther Steinhaus #1  
#10362, Stead #1  
#10172, Daryl Peterson #1  
#6336, Hiltabrand #13-23  
#11685, Kornkven #1-31  
#11520, Lois Patterson #1

Please have these signs made and posted as soon as possible. If any wells that are not listed have incorrect information on them, please correct them at the same time. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/k1

Enclosure

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 16, 1996

Mr. Orlyn Ballantyne  
Great American Royalties, Inc.  
PO Box 407  
Westhope, ND 58793-0407

RE: Beard #15-22  
NW NE Sec. 22-161N-92W  
Burke County, ND  
Well File No. 12751

Stead #1  
NE NW Sec. 5-161N-81W  
Bottineau County, ND  
Well File No. 10362

Dear Mr. Ballantyne:

This letter is to remind you of our telephone conversation of January 5, 1996, concerning the above captioned wells. At that time we discussed the plugging of the Beard #15-22 well and the future of the Stead #1 well.

Jim Dufty, a member of our field staff, has informed me that he witnessed the plugging of the Beard #15-22 well. At this time we are requesting that a Plugging Report (Form 7) be filed.

Also, please submit a Sundry Notice (Form 4) outlining restoration procedures for the location. Restoration should be completed as soon as weather conditions permit. Copies of the forms are enclosed for your convenience.

In reference to the Stead #1 well, we agreed to a March 1, 1996 date for information to be filed with our office and an April 1, 1996 deadline for bringing the well into compliance. A Sundry Notice (Form 4) may be used to submit your plans. If you have any questions, feel free to contact me at 701-857-7646.

Sincerely,

*Robert K. Garbe*  
Robert K. Garbe  
District Supervisor

RKG/kl

cc: Doren Dannewitz  
enc.

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

July 19, 1995

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Lease Signs

Dear Mr. Ballantyne:

The wells listed below are in violation of Section 43-02-03-17 of the North Dakota Administrative Code (Sign on Well). A copy of this rule has been enclosed for your convenience.

#8019, Skarphol #1-10  
#9275, Amanda Peterson #31-35  
#8848, Larry Peterson #1  
#9270, M. Foss #1  
#8849, Wm. Witteman #1  
#7815, Thomas Hedges #3  
#7317, Thomas Hedges #2  
#7319, Steinhaus #1  
#7318, Steinhaus, #2R  
#7817, Esther Steinhaus #1  
#10362, Stead #1  
#10172, Daryl Peterson #1  
#6336, Hiltabrand #13-23  
#11685, Kornkven #1-31  
#11520, Lois Patterson #1

Please have these signs made and posted as soon as possible. If any wells that are not listed have incorrect information on them, please correct them at the same time. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

Enclosure

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

June 23, 1995

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The above captioned well has not produced since November 1987. This well is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells), which states in part that failure to produce oil for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

To date no action has been taken to bring this well into compliance as per numerous requests from this office. Therefore, this well must be brought into compliance by September 1, 1995, or a show cause hearing will be scheduled. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

CERTIFIED MAIL - P 793 564 199

cc: F. E. Wilborn  
Doren Dannewitz



NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

February 24, 1995

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Please properly plug and abandon the above captioned well by May 1, 1995, or risk being scheduled for a show cause hearing. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/k1

cc: F. E. Wilborn  
Doren Dannewitz

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP.

October 20, 1994

Mr. Kab Ballantyne  
Great American Royalties  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

On February 4, 1994, you had called our office in response to my letters and said that you were going to run tubing and rods into the above captioned well in the spring of this year. During a recent inspection I noted that work has not yet begun to produce this well.

At this time please submit a Sundry Notice (Form 4) detailing plug and abandonment procedures for the well. Upon receipt of approval, proceed with diligence to plug and abandon this well. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/k1

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION N

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUPERVISOR

January 5, 1994

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crownhill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Please note that to date we have received no response to repeated requests concerning plug and abandonment or temporary abandonment procedures for the above captioned well.

You are to submit for approval to our office plug and abandonment procedures or a temporary abandonment request by January 31, 1994. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP.

December 8, 1993

Mr. Kab Ballantyne  
Great American Royalties, Inc.  
8700 Crownhill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

Please note that to date we have received no response to repeated requests concerning plug and abandonment or temporary abandonment procedures for the above captioned well.

At this time you are to submit for approval to our office plug and abandonment procedures or a temporary abandonment request. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION N

10362

Wesley D. Norton  
DIRECTOR

Charles Koch  
ENGINEERING DEPT.

F. E. Wilborn  
ASSISTANT DIRECTOR

Doren Dannewitz  
FIELD SUPERVISOR

Clarence G. Carison  
GEOLOGIST

Glenn Wollan  
RECLAMATION SUP.

October 20, 1993

Mr. Kab Ballantync  
Great American Royalties, Inc.  
8700 Crown Hill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The above captioned well has not produced for more than a year or the production equipment has been removed, and the location is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). Please note that to date we have received no response to previous correspondence regarding this matter.

At this time please submit for approval to our office plug and abandonment procedures or a temporary abandonment request. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker/hl*  
David J. McCusker  
Field Inspector

DJM/kl

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
DIRECTOR

F. E. Wilborn  
ASSISTANT DIRECTOR

Clarence G. Carison  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Woilan  
RECLAMATION SUP

September 21, 1993

Mr. Kab Ballantyne  
Great American Royalties Inc.  
8700 Crownhill, Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Section 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne:

The above captioned well has not produced for more than a year and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells).

At this time please submit for approval to our office plug and abandonment procedures or a temporary abandonment request. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/kl

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
DIRECTOR

Charles Koch  
ENGINEERING DEPT.

F. E. Wilborn  
ASSISTANT DIRECTOR

Doren Dannewitz  
FIELD SUPERVISOR

Clarence G. Carlson  
GEOLOGIST

Glenn Wollan  
RECLAMATION SUP

April 9, 1992

Mr. Kab Ballantyne  
Great American Royalties  
8700 Crownhill Suite 800  
San Antonio, TX 78209

RE: Stead #1  
NE NW Sec. 5-161N-81W  
Well File No. 10362

Dear Mr. Ballantyne

The above captioned well has not produced within the past year and is in violation of Section 43-02-03-55 of the North Dakota Administrative Code (Abandonment of Wells). This rule states in part that failure to produce oil for a period of one year constitutes abandonment of a producing well. Any such well must be plugged and the site reclaimed.

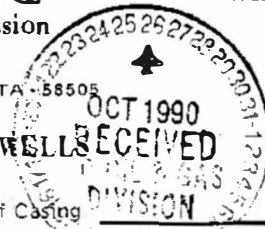
Please submit for approval plug and abandonment procedures. Upon receipt of approval, proceed with diligence to plug and abandon said well. If you have any questions, feel free to contact our office.

Sincerely,

*David J. McCusker*  
David J. McCusker  
Field Inspector

DJM/k1

North Dakota State Industrial Commission  
Oil and Gas Division  
900 EAST BOULEVARD - BISMARCK, NORTH DAKOTA 58505



SUNDRY NOTICES AND REPORTS ON WELLS

- 1. Notice of Intention to Drill or Redrill \_\_\_\_\_
- 2. Notice of Intention to Change Plans \_\_\_\_\_
- 3. Notice of Intention to Pull Casing \_\_\_\_\_
- 4. Notice of Intention to Abandon Well \_\_\_\_\_
- 5. Report of Water Shut-Off \_\_\_\_\_
- 6. Report of Shooting or Acidizing XX
- 7. Report of Casing \_\_\_\_\_
- 8. Report of Redrilling or Repair \_\_\_\_\_
- 9. Supplementary History \_\_\_\_\_
- 10. Well Potential Test \_\_\_\_\_
- 11. Drilling Prognosis \_\_\_\_\_
- 12. \_\_\_\_\_

NAME OF LEASE Stead Date September 27, 19 90  
 WELL NO. 1 is located 505 ft. from (N) (S) line and 1980 ft. from the (E) (W) line  
 of Section 5 Township 161N Range 81W in Bottineau  
 County, Wayne Field Madison Pool. The elevation of the ground  
 is 1515 feet above sea level.

Name and Address of Contractor, or Company which will do work is:

KBM Well Service; Williston, North Dakota

(DETAILS OF WORK)

(State names of, and expected depth of objective sand; show sizes, weight, and lengths of proposed casing, indicate mud weights, cementing points, and all other details of work)

Perforate 3772' - 3812', 4 JSPf.  
 Wash tubing with 350 gallons 15% HCL.  
 Acidize 3772' - 3812' using PPI packer, 6' settings, with  
 4400 gallons 15% SWIC HCL.

Company Great American Royalties, Inc.  
8700 Crownhill, Suite 800  
 Address San Antonio, TX 78209

By Kat Ball  
 Title Vice President

Do not write in this space

Approved OCT 26 1990 19  
 By F E W. Olson  
 Title Deputy Enforcement Officer

(Instructions Over)





NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

Wesley D. Norton  
CHIEF ENFORCEMENT OFFICER

F. E. Wilborn  
DEPUTY ENFORCEMENT OFFICER

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP

April 4, 1990

Mr. KAB Ballantyne  
Great American Royalties, Inc.  
8700 Crownhill, Suite 800  
San Antonio, TX 78209

RE: CHANGE OF OPERATOR FROM JAMES M. PETERSON  
TO GREAT AMERICAN ROYALTIES, INC.  
#10362 - Stead #1 - NENW 5-161-81  
#10172 - Daryl Peterson #1 - NWNE 5-161-81

Dear Mr. Ballantyne:

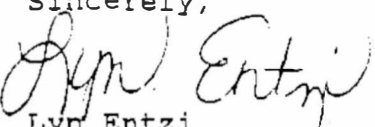
I am in receipt of check #0978 in the amount of \$25.00, check #0979 in the amount of \$25.00, and the Form 15's, Notices of Transfer of Oil and Gas Wells.

Please find enclosed, as requested, an original copy of the approved Form 15 for each well in regard to the above-referenced matter. This transfer has now been approved and finalized.

You enclosed a note indicating a Form 8, Authorization to Transport Oil From Lease, would be submitted as soon as you have obtained the title opinions before any crude is sold. The wells are currently shut in.

I have enclosed some blank Form 8's for your convenience. If you should have any questions, please feel free to contact this office.

Sincerely,



Lyn Entzi  
Legal Assistant

/le  
Enclosure

cc: Mr. James M. Peterson  
P.O. Box 489  
Westhope, ND 58793



North Dakota State Industrial Commission  
Oil and Gas Division  
900 EAST BOULEVARD - BISMARCK, NORTH DAKOTA - 58505

NOTICE OF TRANSFER OF OIL & GAS WELLS

I, James M. Peterson, of \_\_\_\_\_ (Company)  
do hereby acknowledge the transfer for the purpose of ownership and/or operation of the following oil and/or gas wells to  
Great American Royalties, Inc. (Company)

OFFICIAL WELL NAME LOCATION

*110362*

Stead #1

NE NW of Sec. 5 T161N - R81W  
Bottineau County, North Dakota

By *James Peterson*  
Its *owner*

I, Kim A. Ballantyne, of Great American Royalties, Inc. (Company)  
have read the foregoing statement and accept such transfer, also, the responsibility of ownership and/or operation of said well  
or wells.

By *Kim A Ballantyne*  
Its Vice President

GREAT AMERICAN ROYALTIES, INC. as Principal, and CAPITOL INDEMNITY CORPORATION as Surety, on a  
drilling bond in the penalty of \$100,000.00, (amount of bond) executed on SEPTEMBER 6  
19 83 in favor of the State of North Dakota, hereby agree that such bond shall extend to compliance with Chapter 38-08 of  
N.D. Century Code and amendments thereto and the rules and regulation of the Industrial Commission of the State of North  
Dakota prescribed to govern the Production of oil and gas on state and private lands within the State of North Dakota, in relation  
to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased  
because of such extension.

\_\_\_\_\_  
CAPITOL INDEMNITY CORPORATION (Principal)  
*Sally R. Daubert* (Surety)  
SALLY R. DAUBERT, ATTORNEY-IN-FACT

Do not write in this space.

Approved APR 04 1990 19 \_\_\_\_\_  
By *F E Williams*  
Title Deputy Enforcement Officer

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

Wesley D. Norton  
CHIEF ENFORCEMENT OFFICER

F. E. Wilborn  
DEPUTY ENFORCEMENT OFFICER

Clarence G. Carlson  
GEOLOGIST

Charles Koch  
ENGINEERING DEPT.

Doren Dannewitz  
FIELD SUPERVISOR

Glenn Wollan  
RECLAMATION SUP.

December 13, 1988

Mr. James Peterson, Operator  
Box 489  
Westhope, ND 58793

RE: Stead #1  
NE NW Sec. 5-T161N-R81W  
Well File No. 10362

Dear Mr. Peterson:

The above referenced well has not produced since November 1987. In its present state the well is in violation of Rule No. 43-02-03-55 (Desertion of Wells) of the North Dakota Administrative Code.

Please submit a Form 4 with proposed plugging procedures as soon as possible. If you have any questions, please contact this office.

Sincerely,

*Greg Steiner/dh*  
Greg Steiner  
Field Inspector

GS/dh

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

WESLEY D. NORTON  
Chief Enforcement Officer

F. E. WILBORN  
Deputy Enforcement Officer

CLARENCE G. CARLSON  
Geologist

CHARLES KOCH  
Engineering Dept.

DOREN DANNEWITZ  
Field Supervisor

KEN KALLESTAD  
Reclamation Sup.

July 21, 1987

Mr. Jim Peterson  
Box 489  
Westhope, ND 58793

RE: Stead #1 File No. 10362 and Peterson #1 File No. 10172 Central Tank  
Battery, Section 5, Township 161 North, Range 81 West, Bottineau  
County

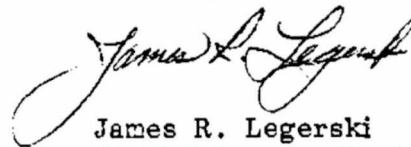
Dear Mr. Peterson:

On July 15, 1987 Mr. Bob Garbe and I inspected the above listed  
Central Tank Battery. The Stead #1 well was producing into the south  
treater, which did not have a firebox. The Peterson #1 well was shut-in  
and the treater was not fired. It appears that each well has its own oil  
tank with a common water tank. How is any oil skimmed from the water tank  
allocated back to each well?

I also noticed there is only one recycle pump. In a facility like this,  
with two diverse ownership wells, the systems should be completely separate.  
Another recycle pump needs to be installed so any production can not be  
transferred from one oil tank to the other.

Your attention to this matter will be greatly appreciated. If you have  
any questions, please call me at the Bismarck office 224-2969.

Sincerely,



James R. Legerski  
Staff Petroleum Engineer

JRL/er  
cc: Jack Wilborn  
Bob Garbe

North Dakota Industrial Commission  
Oil and Gas Division  
900 East Blvd., Bismarck, North Dakota 58505

PRODUCERS CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO  
TRANSPORT OIL FROM LEASE

WELL Stead #1 (SEC.) 5 (TWP.) 161 (RGE.) 81 COUNTY Bottineau

PRODUCER James Peterson FIELD Wayne POOL Madison

ADDRESS CORRESPONDENCE TO James Peterson

STREET Box 489 CITY Westhope STATE ND

THE ABOVE NAMED PRODUCER HEREBY AUTHORIZES Ashland Oil  
(Name of Purchaser)

WHOSE PRINCIPAL PLACE OF BUSINESS IS P.O. Box 391 Ashland Kentucky  
(Street) (City) (State)

AND WHOSE FIELD ADDRESS IS \_\_\_\_\_

TO TRANSPORT 100 % OF THE OIL PRODUCED FROM THE LEASE DESIGNATED ABOVE UNTIL FURTHER NOTICE

THE OIL WILL BE TRANSPORTED BY Permian Oil Stanley, ND  
(Name of Transporter)

OTHER PURCHASERS TRANSPORTING OIL FROM THIS LEASE ARE:

None % None %  
(Name of Purchasers) (Name of Purchasers)

REMARKS:

The undersigned certifies that the rules and regulations of the State Industrial Commission have been complied with except as noted above and that the transporter is authorized to transport the above percentage of oil produced from the above described property and that this authorization will be valid until further notice to the transporter named herein or until canceled by the operator

Executed this 27 day of January, 1987. James Peterson  
(Company or Operator)

Valerie Peterson Partner  
(Signature) (Title)

STATE OF North Dakota

COUNTY OF Bottineau

Before me the undersigned authority, on this day personally appeared Valerie Peterson known to me to be the person whose name is subscribed to the above instrument, who being by me duly sworn on oath states that he is authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me this the 28 day of January, 1987.

Lyne Baetzler  
(Signature)  
Bottineau County  
(Title)

My Commission expires 9/27/91 Notary Public in and for \_\_\_\_\_

F. E. Williams

(Instructions Over)

JAN 29 1987

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

WESLEY D. NORTON  
Chief Enforcement Officer

F. E. WILBORN  
Deputy Enforcement Officer

CLARENCE G. CARLSON  
Geologist

CHARLES KOCH  
Engineering Dept.

DOREN DANNEWITZ  
Field Supervisor

KEN KALLESTAD  
Reclamation Sup.

September 29, 1986

Mr. James Peterson  
P.O. Box 489  
Westhope, ND 58793

RE: Stead #1  
NE NW Section 5-T161N-R81W  
Bottineau County, ND  
Well File No. 10362

Dear Mr. Peterson:

On September 25, 1986, I inspected the Stead #1 and found the reserve pit not yet restored. This is in violation of Chapter 43-02-03-19 of the North Dakota Administrative Code. There have been three previous letters addressing this matter, August 5, 1986, June 11, 1986 and November 19, 1985. The August 5, 1986, letter requested the pit to be restored by September 1, 1986. This well was completed January 15, 1985, and the reserve pit should have been restored long ago.

I am setting a deadline of October 20, 1986, for the restoration of the pit to be completed. After that date, the issue will be turned over to our attorneys. This could result in the matter being put on the docket for a show cause hearing.

If you have any questions please feel free to contact me.

Sincerely,



Kenneth Kallestad  
Reclamation Supervisor

cc: Mike Lee

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

103102

WESLEY D. NORTON  
Chief Enforcement Officer

F. E. WILBORN  
Deputy Enforcement Officer

CLARENCE G. CARLSON  
Geologist

CHARLES KOCH  
Engineering Dept.

DOREN DANNEWITZ  
Field Supervisor

KEN KALLESTAD  
Reclamation Sup.

August 5, 1986

Mr. James Peterson, Operator  
Box 489  
Westhope, ND 58793

RE: Stead #1  
NE NW Section 5-T161N-R81W  
Bottineau County, ND  
Well File No. 10362

Dear James:

The state inspector has informed me that the reserve pit has not been restored. Please have this taken care of by September 1, 1986. If you have recently reclaimed the pit, please let me know.

Sincerely,

*Kenneth Kallestad*

Kenneth Kallestad  
Reclamation Supervisor

KK/tp  
cc: Mike Lee

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NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

**WESLEY D. NORTON**  
Chief Enforcement Officer

**F. E. WILBORN**  
Deputy Enforcement Officer

**CLARENCE G. CARLSON**  
Geologist

**CHARLES KOCH**  
Engineering Dept.

**DOREN DANNEWITZ**  
Field Supervisor

**KEN KALLESTAD**  
Reclamation Sup.

July 2, 1986

Mr. James M. Peterson  
Box 489  
Westhope, ND 58793

Re: Change of Operator

Dear Mr. Peterson:

Check No. 3162 in the amount of \$25.00 was received.

Enclosed is the approved Form 15 for the Change of Operator on the Stead #1 well, located in the NE NW of Section 5, T.161N., R.81W., Bottineau County, North Dakota, File #10362.

James E. Schulte was the former operator of this well.

Sincerely yours,

*Linda Bjerklie*

Linda Bjerklie  
Permit/Bond Secretary

/lb  
enc.

cc: James E. Schulte  
Box 891  
Jamestown, ND 58401

North Dakota Industrial Commission  
Oil and Gas Division  
900 East Blvd., Bismarck, North Dakota 58505

NOTICE OF TRANSFER OF OIL & GAS WELLS

I, James E. Schulte, of Box 891, Jamestown, North Dakota, 58401. (Company)  
do hereby acknowledge the transfer for the purpose of ownership and/or operation of the following oil  
and/or gas wells to James M. Peterson, Box 489, Westhope, North Dakota, 58793. (Company)

OFFICIAL WELL NAME

LOCATION

James Peterson - Stead # 1 Well

Twp 161 N, Rge 81 W.  
Section 5: NE $\frac{1}{4}$ NW $\frac{1}{4}$ .  
Bottineau County, N.Dak.

By James E. Schulte  
James E. Schulte  
Its \_\_\_\_\_

I, James Peterson, of Westhope, North Dakota, 58793. (Company)  
have read the foregoing statement and accept such transfer, also, the responsibility of ownership and/or  
operation of said well or wells.

By James M. Peterson  
James M. Peterson  
Its \_\_\_\_\_

\_\_\_\_\_, as Principal, and CAPITOL INDEMNITY CORP. as Surety, on a  
drilling bond in the penalty of Fifty thousand and no/100, (amount of bond) executed on  
May 8, 1985, 19\_\_\_\_ in favor of the State of North Dakota, hereby agree that such bond shall  
extend to compliance with Chapter 38-08 of N.D. Century Code and amendments thereto and the rules and  
regulations of the Industrial Commission of the State of North Dakota prescribed to govern the Production of  
oil and gas on state and private lands within the State of North Dakota, in relation to the above stated  
transfer; it being further agreed and understood that the bond sum or amount is not to be considered  
increased because of such extension.

James M. Peterson (Principal)  
CAPITOL INDEMNITY CORPORATION  
Elizabeth Hauge (Surety)  
Elizabeth Hauge, Attorney-in-Fact

Do not write in this space.

Approved JUL 2 1986 19\_\_\_\_  
By ORIGINAL SIGNED BY  
F. E. WILDBORN  
Title Deputy Enforcement Officer

FORM 8  
SFN 5698

North Dakota State Industrial Commission  
Oil and Gas Division  
900 EAST BOULEVARD - BISMARCK, NORTH DAKOTA

Well File No. 10362



PRODUCERS CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO  
TRANSPORT OIL FROM LEASE

WELL STEAD #1 (SEC.) 5 (TWP.) 161 (RGE.) 81 COUNTY BOTTINEAU

PRODUCER JAMES PETERSON FIELD NAME POOL MADISON

ADDRESS CORRESPONDENCE TO JAMES PETERSON

STREET P.O. BOX 489 CITY WESHOPE STATE ND

THE ABOVE NAMED PRODUCER HEREBY AUTHORIZES ASHLAND OIL CO.  
(Name of Purchaser)

WHOSE PRINCIPAL PLACE OF BUSINESS IS P.O. Box 391 ASHLAND, KY 41101  
(Street) (City) (State)

AND WHOSE FIELD ADDRESS IS 418 E. Broadway, Suite 3, BISMARCK, ND

TO TRANSPORT 100 % OF THE OIL PRODUCED FROM THE LEASE DESIGNATED ABOVE UNTIL  
FURTHER NOTICE

THE OIL WILL BE TRANSPORTED BY POWER FUELS, INC.  
(Name of Transporter)

OTHER PURCHASERS TRANSPORTING OIL FROM THIS LEASE ARE:

NONE % NONE %  
(Name of Purchasers) (Name of Purchasers)

REMARKS:

The undersigned certifies that the rules and regulations of the State Industrial Commission have been complied with except as noted above and that the purchaser is authorized to transport the above percentage of oil produced from the above described property and that this authorization will be valid until further notice to the purchaser named herein until canceled by the Registered Operator

Executed this 27 day of June, 19 86. Jim Peterson  
(Company or Operator)

STATE OF NORTH DAKOTA )  
) SS Jim Peterson Owner  
COUNTY OF BOTTINEAU ) (Signature) (Title)

Before me the undersigned authority, on this day personally appeared \_\_\_\_\_ known to me to be the person whose name is subscribed to the above instrument, who being by me duly sworn on oath states that he is authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me this the 27 day of June, 19 86.

My Commission expires 9/27/91 Notary Public in and for Bottineau Co.  
Lynne Butcher  
(Signature) (Title)

Approved by: Bruce Hicks / for JUL 2 1986  
(Deputy Enforcement Officer) (Date)

(Instructions Over)

NORTH DAKOTA INDUSTRIAL COMMISSION

**OIL AND GAS DIVISION**

10362

**WESLEY D. NORTON**  
Chief Enforcement Officer

**CHARLES KOCH**  
Engineering Dept.

**F. E. WILBORN**  
Deputy Enforcement Officer

**DOREN DANNEWITZ**  
Field Supervisor

**CLARENCE G. CARLSON**  
Geologist

June 11, 1986

**KEN KALLESTAD**  
Reclamation Sup.

Mr. James M. Peterson  
Box 498  
Westhope, North Dakota 58793

RE: Stead #1  
NE NW Section 5-T161N-R81W  
Well File No. 10362

Dear Mr. Peterson:

Please begin restoration on the above captioned location as soon as possible. If you have any questions, feel free to contact our office. Thank you.

Sincerely,

*Scott Radig*  
Scott Radig  
Field Inspector

SR/rls

lele

*Well file*



Well File No. 10362

North Dakota Industrial Commission  
Oil and Gas Division  
900 East Blvd., Bismarck, North Dakota 58505

SUNDRY NOTICES AND REPORTS ON WELLS

- |  |   |
|--|---|
| 1. Notice of Intention to Drill or Redrill _____ | 7. Report of Casing _____                                       |
| 2. Notice of Intention to Change Plans _____     | 8. Report of Redrilling or Repair _____                         |
| 3. Notice of Intention to Pull Casing _____      | 9. Supplementary History _____                                  |
| 4. Notice of Intention to Abandon Well _____     | 10. Well Potential Test _____                                   |
| 5. Report of Water Shut-Off _____                | 11. Drilling Prognosis _____                                    |
| 6. Report of Shooting or Acidizing _____         | 12. <u>Request for pit &amp; location</u><br><u>reclamation</u> |

NAME OF LEASE Peterson Schulte-Stead Date 2/16, 19 86  
 WELL NO. 1036 is located 500 ft. from (N) (X) line and 2110 ft. from the (E) (W) line  
 of Section 5 Township 161 Range 81 in Bottineau  
 County, Wayne Field Madison Pool. The elevation of the well  
 is 1513 feet above sea level.

Name and Address of Contractor, or Company which will do work is:

Bergstrom Construction, Inc. R.R. Antler, ND 58711

(DETAILS OF WORK)

(State names of, and expected depth of objective sand; show sizes, weight, and lengths of proposed casing, indicate mud weights, cementing points, and all other details of work)

1. Robert Stead Westhope, ND 58793 Surface owner
2. Power Fuels will haul salt water to Evenson Disposal
3. Bergstrom Construction will trench drilling mud and fill and level location in spring or summer of 1986 (weather permitting)

*Please Notify the State Oil & Gas Div. the day Reclamation starts*  
*THANKS*

Company Peterson Schulte-Stead  
 Address Box 489, Westhope, ND 58793  
 By James Peterson  
 Title Operator

Do not write in this space

Approved 3-14 1986  
 By Kenneth Kallestad  
 Title Reclamation Supervisor

(Instruction Over)

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NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

10362

WESLEY D. NORTON  
Chief Enforcement Officer

F. E. WILBORN  
Deputy Enforcement Officer

CLARENCE G. CARLSON  
Geologist

CHARLES KOCH  
Engineering Dept.

DOREN DANNEWITZ  
Field Supervisor

KEN KALLESTAD  
Reclamation Sup.

November 19, 1985

Mr. Jim Peterson  
Box 489  
Westhope, North Dakota 58793

Dear Mr. Peterson:

Recent inspections in the Wayne Field have shown your leases to be very clean and well taken care of. However, there are several matters that I must bring to your attention.

The Daryl Peterson #1, File No. 10172, and the Stead #1, File No. 10362, are being commingled through the same treater without approval. Enclosed are the requirements for central tank batteries.

The reserve pit of the Stead #1 must be filled in as soon as possible so that it does not fill with snow and water again over winter and spring. Final leveling need not be done immediately, but it is important to get the majority done right away.

The Evenson #1 SWD, File No. 90028, still does not have a barrel meter to measure the amount of water injected. A barrel meter must be installed by December 16, 1985, or our office will have to take further action such as shutting in the well or turning the matter over to the Industrial Commission for a hearing.

When these matters are taken care of, your leases should be completely in compliance with all state regulations. If you have any questions, please call Bruce Hicks about the salt water disposal or Jim Legerski about central tank batteries. Thank you.

Sincerely,

*Scott Radig*

Scott Radig  
Field Inspector

SR/rls  
Enclosure  
CC: Bruce Hicks  
Central Tank Battery File

**CORE LABORATORIES, INC.**  
Petroleum Reservoir Engineering

DALLAS, TEXAS

SCHULTE & PETERSON  
NO. 1 SNEAD  
WAYNE FIELD  
BOTTINEAU COUNTY, NORTH DAKOTA

DATE : 12-19-84  
FORMATION : MADISON  
DRLG. FLUID: SALT BASE NO OIL  
LOCATION : NE NW SEC 5 T161N RB1W

FILE NO : 3805-3603  
ANALYSTS : R.E.B.  
ELEVATION: 1527 KB  
WILLISTON, NORTH DAKOTA



10362

CONVENTIONAL CORE ANALYSIS

SAMPLE NUMBER	DEPTH	PERM K <sub>d</sub> MAXIMUM	POR. FLD	FLUID SATS. OIL	WTR	DESCRIPTION
3984.0-4015.0 CORE NO. 1 MADISON FM. 12-19-84 CUT 31' REC. 31'						
	3984.0-91.0					NO ANALYSIS BY CLIENT REQUEST
1	3991.0-92.0	0.03	18.0	13.3	63.6	VF DOL ALGAL VUGGY CAL INC DOL
2	3992.0-93.0	4.10	17.0	5.3	81.1	VF LM V/FN XLN-ALGAL SCAT VUGS CALC INC DOL
3	3993.0-94.0	0.97	11.7	12.0	51.3	LM V/FN XLN-ALGAL SCAT VUGS CAL INC DOL
4	3994.0-95.0	44.	16.8	52.1	35.6	DOL V/FN SUC VUGGY CAL INC
5	3995.0-96.0	1.70	26.3	8.6	41.4	VF DOL V/FN XLN-V/FN SUC VUGGY CAL INC
6	3996.0-97.0	212.	29.7	21.5	32.2	DOL V/FN SUC VUGGY CAL INC
7	3997.0-98.0	38.	23.6	20.9	52.6	VF DOL V/FN XLN-SUC VUGGY CAL INC DOL
8	3998.0-99.0	101.	33.7	19.3	40.4	VF DOL V/FN XLN-SUC VUGGY CAL INC DOL
9	3999.0-00.0	2.80	24.1	21.5	46.3	DOL V/FN XLN-SUC VUGGY CAL INC DOL
10	4000.0-01.0	4.50	17.4	17.3	45.4	LM V/FN XLN-ALGAL VUGGY CAL INC DOL
11	4001.0-02.0	0.79	18.4	12.9	34.5	LM V/FN XLN-ALGAL VUGGY CAL INC DOL
12	4002.0-03.0	8.50	18.7	0.5	74.5	LM V/FN XLN-ALGAL PP VUGS CAL INC
13	4003.0-04.0	0.83	15.9	0.6	87.2	VF LM V/FN XLN PP VUGS CAL INC
14	4004.0-05.0	0.92	20.0	4.3	75.4	VF LM V/FN XLN VUGGY CAL INC
15	4005.0-06.0	1.50	16.7	3.0	84.1	VF LM V/FN XLN PP VUGS CAL INC
16	4006.0-07.0	1.40	18.8	1.0	87.3	LM V/FN XLN SCAT VUGS CAL INC
17	4007.0-08.0	7.10	22.1	3.8	77.3	LM V/FN XLN-SUC PP VUGS CAL INC DOL
18	4008.0-09.0	58.	24.3	10.8	64.6	LM V/FN XLN-SUC PP VUGS CAL INC DOL
19	4009.0-10.0	28.	21.0	6.3	68.9	LM V/FN XLN-SUC PP VUGS CAL INC DOL
20	4010.0-11.0	44.	26.1	2.4	77.0	LM V/FN XLN-SUC PP VUGS CAL INC DOL
21	4011.0-12.0	0.01	29.1	0.0	96.0	VF LM V/FN XLN-SUC PP VUGS CAL INC DOL
22	4012.0-13.0	2.80	38.2	0.4	93.4	VF LM V/FN XLN-SUC PP VUGS CAL INC DOL

These analyses, opinions or interpretations are based on observations and materials supplied by the client to whom, and for whose exclusive and confidential use, this report is made. The interpretations or opinions expressed represent the best judgment of Core Laboratories, Inc. (all errors and omissions, excepted), but Core Laboratories, Inc. and its officers and employees, assume no responsibility and make no warranty or representation, as to the productivity, proper operations, or profitability of any oil, gas or other mineral well or sand in connection with which such report is used or relied upon.

PAGE 2

**CORE LABORATORIES, INC.**  
Petroleum Reservoir Engineering

DALLAS, TEXAS

SCHULTE & PETERSON  
NO. 1 SNEAD

DATE : 12-19-84  
FORMATION : MADISON

FILE NO : 3805-3603  
ANALYSTS : R.E.B.

CONVENTIONAL CORE ANALYSIS

SAMPLE NUMBER	DEPTH	PERM K <sub>d</sub> MAXIMUM	POR. FLD	FLUID SATS. OIL	WTR	DESCRIPTION
23	4013.0-14.0	19.	31.4	0.0	95.2	VF DOL V/FN XLN-SUC PP VUGS CAL INC LIHY
24	4014.0-15.0	20.	28.8	0.0	95.7	VF DOL V/FN XLN-SUC PP VUGS CAL INC LIHY

REVISED



Form 6 NORTH DAKOTA STATE INDUSTRIAL COMMISSION  
Oil and Gas Division  
900 East Boulevard, Bismarck, ND 58505  
SFN 2468

Well File No. 10362  
Date Issued 12-04-84

WELL COMPLETION OR RECOMPLETION REPORT  
(Submit in Triplicate)

Designate type of completion  
OIL WELL  GAS WELL  OTHER

NEW WELL  WORK OVER  DEEPEN  PLUG BACK  OTHER

Well Name & No. Stead #1  
Spacing (Unit Description) E/2 of 5 161 N 81W

OPERATOR Peterson & Schulte  
Field Wayne

ADDRESS Box 489, Westhope, ND 58793  
Pool Madison

LOCATIONS (Show quarter-quarter, footages, and section, township and range.)  
At surface Sec 5 161N, 81 W NE, NW 505' N 1980' W  
Wildcat, Development Extension  
At top prod. interval, reported below  
County Bottineau

Date Spudded	Date TD Reached	Date Comp. (ready to prod)	Elevation (KB, D <sup>2</sup> , GR)	Total Depth (MD & TVD)	Plug Back (TD, MD, TVD)
12/10/84	12-19-84	1/12/85	1528 KB	4070	4070

PRODUCING INTERVAL(S), THIS COMPLETION, TOP, BOTTOM, NAME (MD & TVD)  
4000 - 02 Wayne Pay

No. of DST's Run (see back) 0  
Date Directional Survey Submitted 0

TYPE ELECTRIC AND OTHER LOGS RUN (See Instructions)  
Dual Lateralog Gamma Ray, Densi Log  
Was Well Cored Yes

CASING RECORD (Report all strings set in well)

Casing Size	Depth Set (MD)	Hole Size	Weight Lbs./Ft.	Sacks Cement	Amount Pulled
8 5/8"	400	12"	24	275	
5 1/2"	4070	7 7/8"	15.5	400	

LINER RECORD

Size	Top (MD)	Bottom (MD)	Sacks Cement	Screen (MD)

TUBING RECORD

Size	Depth Set (MD)	Packer Set (MD)
2 3/8	3970	0

PERFORATION RECORD

Depth Interval (MD)	Holes per ft.	Size and Type	Purpose	ACID, SHOT, FRAC., CEMENT SQUEEZE, etc.
4000 - 02	4	shot per ft. 3/8		Amt. & Kind of Material Used
	9	shots		150 gals. WCA

PERF. Depth Interval (MD) 4000 - 02  
Holes per ft. 4  
Size and Type shot per ft. 3/8  
Purpose  
ACID, SHOT, FRAC., CEMENT SQUEEZE, etc. Amt. & Kind of Material Used 150 gals. WCA  
Depth Interval (MD) 4000

PRODUCTION

Date First Production	Producing Method (Flowing, gas, lift, pumping - size & type of pump)				Well Status (Prod. or shut-in)	
Jan. 13, 1985	Pumping 1 1/2" Insert				Producing	
Date of Test	Hours Tested	Choke Size	Production For Test	Oil, Bbls.	Gas, Mcf.	Water, Bbls.
Jan. 5	24	0		25	0	140
Flow, Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Oil Gravity - App. (Corr.)
0	0		25	0	140	28

DISPOSITION OF OIL & GAS (Purchaser and Transporter)  
Ashland Oil Power Fuels  
Test Witnessed By James Peterson

LIST OF ATTACHMENTS

Over to Complete Form





Form 6 NORTH DAKOTA STATE INDUSTRIAL COMMISSION  
Oil and Gas Division  
900 East Boulevard, Bismarck, ND 58505

Well File No. 10362  
Date Issued 12-04-84

WELL COMPLETION OR RECOMPLETION REPORT  
(Submit in Triplicate)

Designate type of completion OIL WELL  GAS WELL  OTHER \_\_\_\_\_ SAME RESVR   
NEW WELL  WORK OVER  DEEPEN  PLUG BACK  OTHER \_\_\_\_\_ DIFF. RESVR

Well Name & No. Stead #1  
Spacing (Unit Description) ~~NE 1/4 5 161 N 81W~~ E/2 NW 1/4 2 Well #/gc

OPERATOR Peterson & Schulte Field Wayne  
ADDRESS Box 489, Westhope, ND Pool Madison  
LOCATIONS (Show quarter-quarter, footages, and section, township and range.)  
At surface Sec 5 161 N, 81W NE, NW 500' N 500' E Wildcat, Development Development Extension  
At top prod. interval, reported below 325 1980 W County Bottineau  
At total depth

Date Spudded	Date TD Reached	Date Comp. (ready to prod.)	Elevation (KB, DF, GR)	Total Depth (MD & TVD)	Plug Back (TD, MD, TVD)
12/10/84	12-19-84	1/12/85	1528 KB	4070	4070

PRODUCING INTERVAL(S), THIS COMPLETION, TOP, BOTTOM, NAME (MD & TVD)  
4000 - 02 Wayne Pay No. of DST's Run (see back) 0 Date Directional Survey Submitted 0

TYPE ELECTRIC AND OTHER LOGS RUN (See instructions) Dual lateralog Gamma Ray, Densi Log Was Well Cored Yes

CASING RECORD (Report all strings set in well)

Casing Size	Depth Set (MD)	Hole Size	Weight Lbs./Ft.	Sacks Cement	Amount Pulled
7 7/8	400	12 1/2	24	275	

LINER RECORD

Size	Top (MD)	Bottom (MD)	Sacks Cement	Screen (MD)
5 1/2	15 1/2 LB.	?	400	

TUBING RECORD

Size	Depth Set (MD)	Packer Set (MD)
2 3/8	3970	0

PERFORATION RECORD

Depth Interval (MD)	Holes Per Ft.	Size and Type	Purpose	Amt. & Kind of Material Used	Depth Interval (MD)
4000 - 02	4 spot per ft.	3/8		150 gals. MCA	4000
	9 shots				

ACID, SHOT, FRAC., CEMENT SQUEEZE, Etc.

PRODUCTION

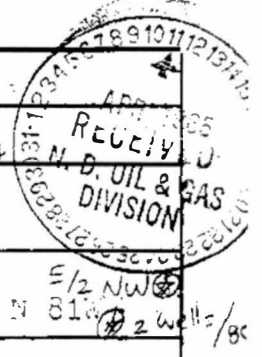
Date First Production	Producing Method (Flowing, gas, lift, pumping - size & type of pump)	Well Status (Prod. or shut-in)
Jan. 15, 85	Pumping	Producing

Date of Test	Hours Tested	Choke Size	Production For Test	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Oil Gravity - API (Corr)
?	24	0		25	0	140	2?
Flow, Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil, Bbls.	Gas, Mcf.	Water, Bbls.	Gas-Oil Ratio	
0	0		25	0	140	No gas	

DISPOSITION OF OIL & GAS (Purchaser and Transporter) Ashland Oil Power Fuels Test Witnessed By James Peterson

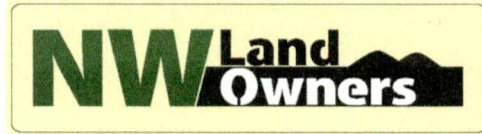
LIST OF ATTACHMENTS

Over to Complete Form



#ZA

1440  
1/29/15



6050 Old Hwy 2  
Berthold, ND 58718

**For responsible development of  
North Dakota's resources**

Troy Coons	President
Tom Wheeler	Vice President
Bob Grant	Treasurer
Galen Peterson	Secretary
Website	<a href="http://nwlandowners.com">nwlandowners.com</a>
Contact Us	<a href="mailto:gpete72@gmail.com">gpete72@gmail.com</a>

Donnybrook, ND
Ray, ND
Berthold, ND
Maxbass, ND

Northwest Landowners Association's Testimony in support of HB1440  
House Natural Resources Committee  
January 29, 2015

Chairman Porter and members of the House Natural Resources Committee,

I am Galen Peterson from Northwest Landowners Association (NWL). We currently have 450 members--farmers, ranchers, and landowners, mostly from north central, northwest, and west central North Dakota. We strive for responsible development of our natural resources.

We agree that, at times, an operator of an oil well should be allowed to have that well placed in temporary abandoned status(TA) for good reason. However, after 5, 10, 15, or 20 years; the operator should have had ample time to implement a use for the well. Wells should not be permanently temporary abandoned.

One example for the necessity of this bill is well file #10362. This well was drilled in 1984 and has not produced any oil since 1987. Since that time it has been in abandoned and temporary abandoned status. In 2012, the surface owner submitted a letter to the oil and gas division requesting that the well be plugged. (copy handed out) This letter was placed in the well file, however no action was taken to address the surface owner's letter. The operator has no viable plan for the future use of the well, yet was granted TA status this past July.

Another example is well file #13565. This well has not produced since 1998, with the exception of burping up 2 barrels of oil in 2002. Plans for to utilize the well have been presented on an almost yearly basis, but have never been implemented.

Currently, 339 wells are in TA or TAO status; and 256 in abandoned status. There are a number of those with a similar history to the 2 examples.

Continuing to allow examples like these, infringes on the rights of the surface owner and does not protect the correlative rights of the mineral owner. This bill does allow for reasonable granting of TA status.

NWLA supports HB1440 and asks for your favorable consideration. Thank you.

#2B

1440 / 10362  
1/29/15



March 19, 2012

NDIC Oil and Gas Division  
600 East Boulevard Ave Dept 405  
Bismarck, ND 58505-0840

Re: Stead #1  
NE NW Sec 5 161N 81W  
Well File #10362

Attn: David McCusker

Mr. McCusker,

The above well has not produced since November 1987. It has a long history of being in abandoned status, then temporary abandoned (TA) status, and now overdue for TA renewal. (TA was last approved February 11, 2009).

Some of the reasons that Great American Royalties have given for needing TA status in the past are:

Possible use for injection or production well in a unit that has never been proposed or planned.

Possible use for SWD for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled, and based on progress toward that, will never be drilled.

And repeatedly, no reason at all.

**This well needs to be plugged as required by state statutes and regulations.** Nothing has been done to utilize it since 1987. No payments or compensation are being paid to the surface owner. It is preventing the use of its location for cropland, it is an unnecessary obstacle to farming the land, and it is holding a mineral lease even though no production or royalties are being paid to the mineral owners.

Please acknowledge receipt and place this letter in the well file, #10362.

*This is in regard to the Robert Stead Trust my dad.*

Roberta Halstead  
2091 99<sup>th</sup> St NW  
Westhope, ND 58793  
Surface Owner

*Roberta Halstead*

Ron Ness

1440  
1/29/15

#3

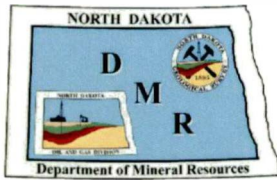
**PROPOSED AMENDMENTS TO  
HOUSE BILL NO. 1440**

Page 1, line 10, remove "The commission may not approve for temporarily abandoned status" *etc*

Page 1, remove line 11

Page 1, remove "the surface owner" and insert immediately thereafter "A surface owner may request a review of the temporarily abandon status of a well that has been on temporarily abandon status for at least seven years. The commission shall require notice and hearing to review the status, and thereafter the surface owner can request a review every two years"

Renumber accordingly



1440  
1/29/15

#4

**House Bill 1440**  
**House Energy and Natural Resources**  
January 29, 2015

Testimony of Lynn D. Helms, Director

The North Dakota Industrial Commission – Department of Mineral Resources – Oil and Gas Division has had jurisdiction over temporary abandonment of oil and gas wells since 1983.

This bill as introduced presents two significant problems for the Oil and Gas Division temporary abandoned well program:

Problem 1

The first problem presented by HB 1440 is the new requirement of biannual permission of the surface owner to renew temporary abandoned status. The term “biannual” is not defined, but appears to require permission from the surface owner every six months.

Problem 2

The second problem created by HB 1440 is the conversion of the surface estate to dominant estate status. This reverses decades of case law by placing the surface owner in control of the well bore with no due process for the mineral owners, working interest owners, or the Commission.

Mr. Chairman and members of House Energy and Natural Resources the North Dakota Industrial Commission urges a DO NOT PASS for HB 1440 as introduced.

2/3/15

1440

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**Amendment to House Bill 1440**

Line 10 through 12 – replace the underlined language with “A surface owner may request a review of the temporarily abandon status of a well that has been on temporarily abandon status for at least seven years. The commission shall require notice and hearing to review the status, thereafter the surface owner can request a review every two years.”

Renumber Accordingly

|

2/5/15  
1440

# |

**Amendment to House Bill 1440**

Line 10 through 12 – replace the underlined language with “A surface owner may request a review of the temporarily abandon status of a well that has been on temporarily abandon status for at least seven years. The commission shall require notice and hearing to review the status, thereafter the surface owner can request a review every two years.”

Renumber Accordingly