

May 3, 1993

SDR-922-93-04
14-20-0259-1331
3165.3 (922.8)

CERTIFIED-RETURN RECEIPT REQUESTED *P114 729 970*

DECISION

Norfolk Energy, Inc.)	
Five Post Oak Park)	SDR-922-93-04
Houston, Texas 77027)	

Affirmed

By letter dated March 22, 1993, you requested a State Director Review (SDR) of the February 24, 1993, Order of the Chief, Branch of Fluid Minerals, Montana State Office (Branch Chief). Order 1-93 FED approved the drilling of a second well within Rocky Boys Tribal lease No. 14-20-0259-1331, located in W $\frac{1}{2}$ NE $\frac{1}{4}$ of sec. 24, T. 30 N., R. 15 E., P.M.M. The request for the additional well was filed by J. Burns Brown Operating Co., of Havre, Montana.

The SDR was timely received on March 22, 1993. The SDR has been assigned case number SDR-922-93-04. The oral presentation you requested in the SDR was held on April 16, 1993.

Your letter makes several points, which you numbered (1 through (6). Below, we respond to each of your points.

(1) You disagree with the third paragraph on page 1 of the February 24, 1993 Order, which stated that "...the Golie 24-1 well has a rapidly declining production rate and will not drain a large area."

This was only a reiteration of J. Burns Brown's testimony at the hearing. As such, it was not intended to represent the Branch Chief's opinion. As my response to statement (3) indicates, it was irrelevant to the Branch Chief's decision.

(2) You state that the Branch Chief's conclusion that the Golie 24-1 well will more likely drain to its north than to its west was without benefit of any testimony.

At the February 4, 1993, hearing, the BLM representative asked Norfolk's engineer, Al Shannon, whether he believed the SE $\frac{1}{4}$ of sec. 13, east of the Golie 13-16 well, would support a paying well. Based upon Norfolk's interpretation, he stated that the land was prospective. He also stated that, if the Golie 24-1 well keeps producing the way it is, it would drain the SE $\frac{1}{4}$ of sec 13. Maps provided by Norfolk and J. Burns Brown (Enclosure 1 and 2) demonstrate the interpretation that the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of sec. 13 is in communication with the Golie 24-1 well.

(3) You state that deferral of the decision would provide the BLM a more definite conclusion that drainage does not occur in a westerly direction.

Norfolk and J. Burns Brown mapped a fault separating the NE $\frac{1}{4}$ NE $\frac{1}{4}$ and part of NW $\frac{1}{4}$ NW $\frac{1}{4}$ of section 24. It is correct that more production data will be available by deferring the decision. In other cases, the BLM has delayed implementation of its decisions while additional data is obtained and evaluated. In this situation, however, the additional production data from the Golie 24-1 well would not permit the BLM to conclude that the fault does not exist between the NE $\frac{1}{4}$ NE $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of section 24. The only way to definitely determine whether or not drainage occurs in a westerly direction is by drilling an additional well in the location approved by the Branch Chief in the February 24, 1993, Order.

(4) You claim the Branch Chief's statement, that the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of sec. 24 may be drained by the Boyce 24-4 well, is unsupported by any evidence or testimony.

Norfolk's structural map, submitted in support of its position related to Docket 1-93 FED (Enclosure 1), indicates the western portion of the W $\frac{1}{2}$ NE $\frac{1}{4}$ of sec. 24 is in communication with the Boyce 24-4 well; it is located west of the fault block that contains the Golie 13-16 well. You state further in the SDR request that "...most of the W $\frac{1}{2}$ NE $\frac{1}{4}$ might be fault separated from the [Boyce] 24-4 well." This supports the Branch Chief's Order that the correlative rights would not be adversely affected by a well within the Indian lease. Drainage would be precluded by faulting.

(5) You state that Norfolk's map shows a fault only extending from the west boundary of sec. 24 to the mid-point of the section. You also state the fault has not been cut by any well, and is merely the most logical interpretation for the difference in depths of the Eagle Sand in the wells to the north and south of the section line.

It is correct that Norfolk's map depicts a fault as only extending from the west boundary of sec. 13 and 24 to the mid-point of the section. I agree that the exact location of the faults is conjectural; however, all parties agree that they exist. I believe that the throws on the faults indicate that they would be sealing.

(6) You claim the Branch Chief's statement, "...the 24-4 well adequately protects the correlative rights of the interest owners in the NW¼ of sec. 24...", is unsupported surmise since the well is a poor well, and the approved well would be located closer to the spacing unit boundary than the Boyce 24-4 well (330 feet versus 990 feet).

If the Boyce 24-4 well is a poor well, there may be a need for a second well to properly drain the NW¼. However, Norfolk needs to make that decision. The Branch Chief was not advocating increased well density fieldwide. The Branch Chief reviewed the reasoned geologic interpretation of Norfolk and J. Burns Brown and concluded that an additional well should be drilled in the W½NE¼ of sec. 24.

Additional argument

On the day of the oral presentation, Norfolk submitted an additional argument. You repeat your opinion that delay results in no damage to the tribal interest; the only damage that can occur is to the working-interest owners who would have to pay for a possibly unnecessary well. You state that it is too early to tell whether or not an additional well is necessary. You conclude by stating that Norfolk's past performance in the Tiger Ridge area indicates that it does not leave recoverable gas reserves in the ground.

I understand Norfolk's argument that a delay of time may not damage tribal interest; however, additional production data from well 24-1 would still not provide a definite conclusion.

Oral presentation

(A) At the oral presentation, Norfolk reiterated its opinion that it is premature to approve an additional well. You believe that additional time is required to monitor the production of the Golie 24-1 well. After the well has produced for 12 months, its drainage area may be estimated. If the well is found to drain a large area, you believe that an additional well is unnecessary.

I would delay implementation of the Order if I believed that the additional production data would result in a definite conclusion as to the drainage area and its extent. I disagree with the need for a year's production data before I issue a decision. The additional data may provide a better estimation of the drainage area for the Golie 24-1, but its configuration would still be unknown. A large drainage area could as likely extend to the north or east of the Golie 24-1 well, as it would to the west.

(B) You also stated that the interpreted faults were not penetrated by any wells; therefore, their strikes and throws are conjectural. The faults may not be sealing.

I understand Norfolk's position. However, Norfolk placed the faults and the direction of their movements in the location you believe is most reasonable, based upon the available information. I accept the interpretation. I also believe the throws on the faults indicate that they would be sealing.

Conclusion

I do not believe that the Golie 24-1 well can drain across the graben that extends into the NE¼ of sec. 24; the graben should prevent communication. I believe that this faulting results in the need for a second well in the W½NE¼ of sec. 24.

I do not believe that a deferral of my decision, in order to obtain a full 12 month's production from the Golie 24-1 well, would be appropriate. The additional production data, if supplemented by a shut-in well pressure, would provide an estimate of the drainage area of the well. It would provide no conclusion as to the direction of drainage. I, therefore, see no legitimate reason for delay. I herein affirm the Branch Chief's Order allowing the drilling of a second well in the W½NE¼ of sec. 24.

This Decision may be appealed to the Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR 3165.4, 4.411, 4.413, and Form 1842-1 (Enclosure 3). If an appeal is taken, Notice of Appeal must be filed in the Montana State Office at the above address within 30 days from receipt of this Decision. A copy of the Notice of Appeal and of any statement of reasons, written arguments, or briefs must also be served on the Office of the Solicitor at the address shown on Form 1842-1. It is also requested that a copy of any statement of reasons, written arguments, or briefs be sent to this office. The appellant has the burden of showing that the Decision appealed from is in error.

/s/ Thomas P. Lonnie

Thomas P. Lonnie
Deputy State Director
Division of Mineral Resources

3 Enclosures

- 1-Norfolk's geologic interpretation submitted with protest to Dockets
1-93 FED, 2-93 FED (1 p)
- 2-J. Burns Brown's geologic interpretation, submitted with application for
approval of Dockets 1-93 FED, 2-93 FED (1 p)
- 3-Information Sheet (4 pp)

cc:

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