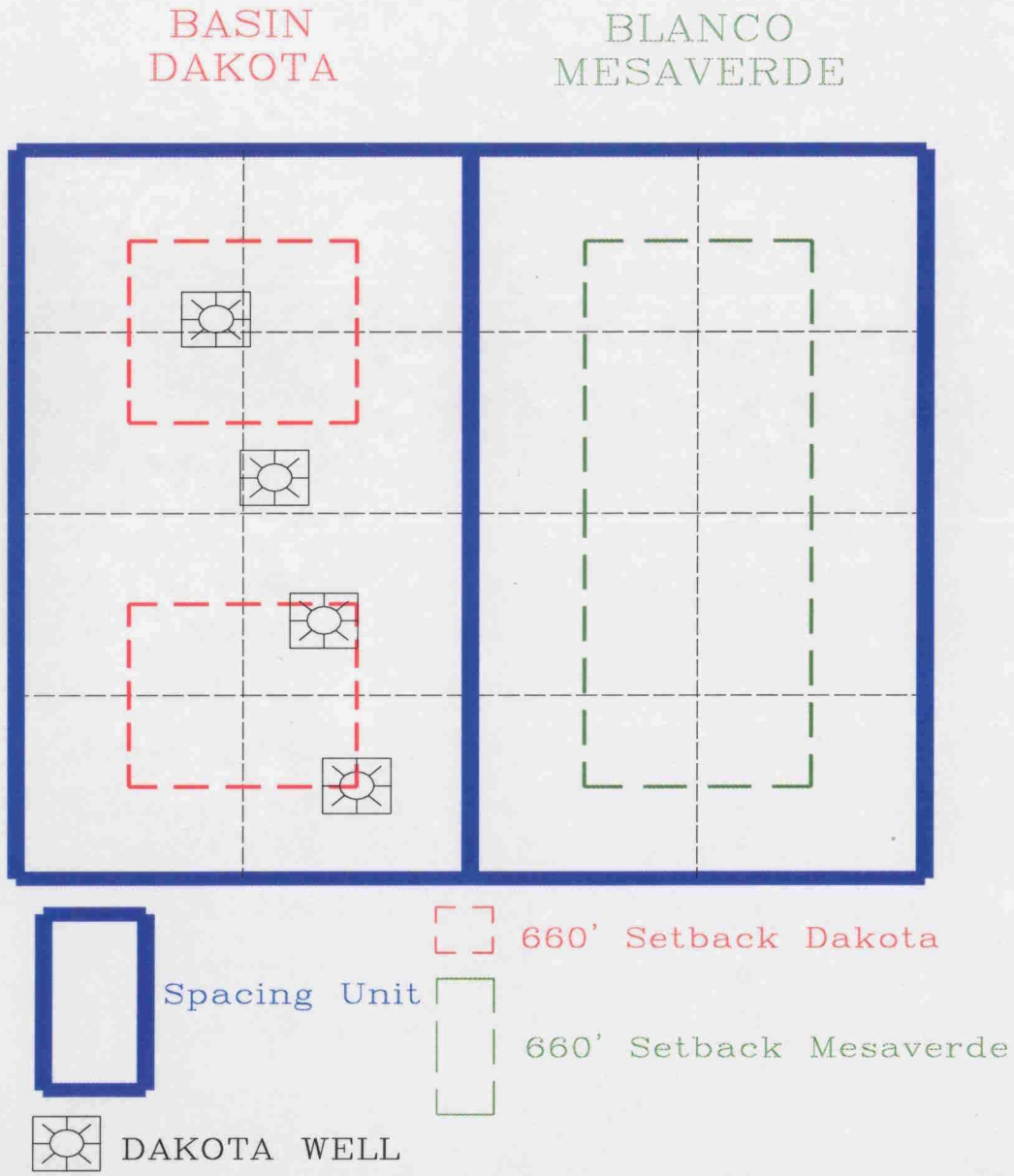
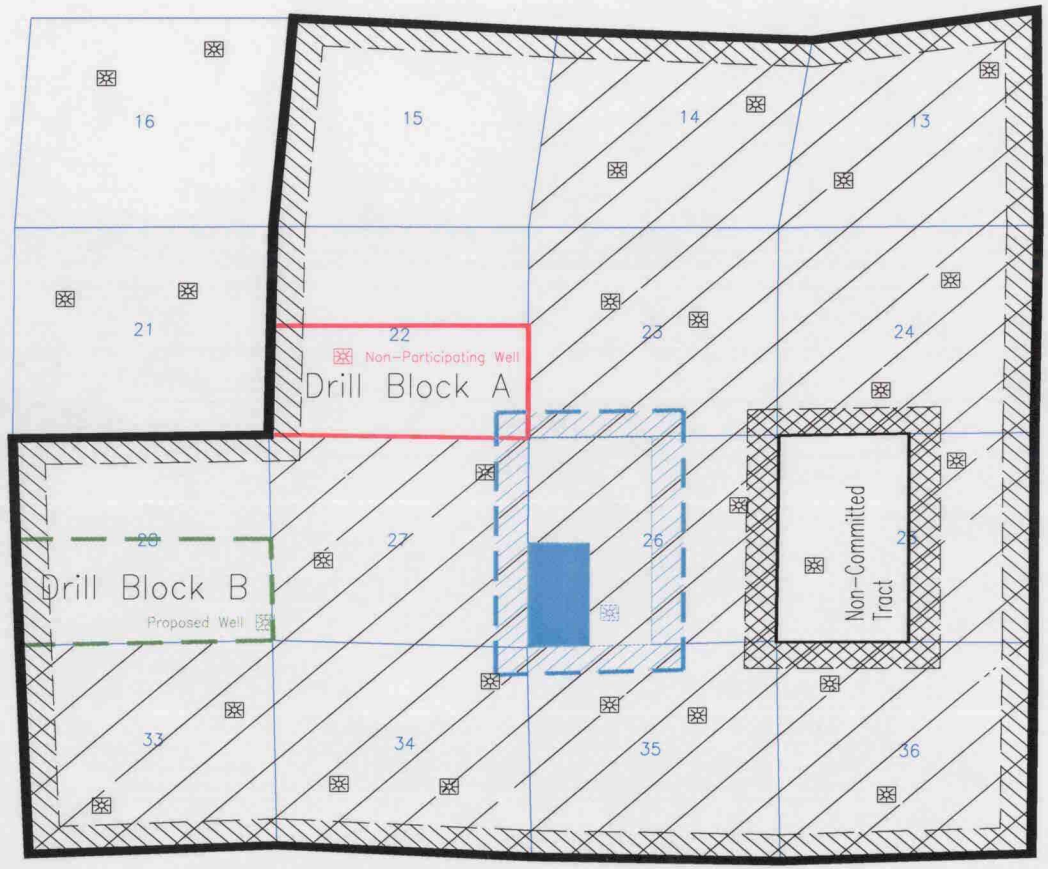
Footage Setbacks for Drillblocks



Proposed Dakota Setbacks in Federal Units



NOTE: All Interior (Non-Federal Unit outline) Buffer Zones Are On A Spacing Unit Basis

Proposed Footage Setbacks for Federal Units

The proposed rule change would place a 660' buffer zone around the entire unit boundary and around any non-committed or partially committed tracts. This will protect the correlative rights of interest owners who are outside the unit boundary and owners who are inside the unit with non-committed or partially committed lands.

In the case of a drillblock containing a non-participating well (see exhibit - Drillblock A), or an undeveloped drillblock (see exhibit - Drillblock B) the proposed rule change would not provide for a 660' buffer zone. This is because there are adequate provisions in the Unit Agreements to protect the correlative rights of those parties being encroached upon. The protections derived from these provisions are as follows:

1) The operator of a unit is required to submit an annual Plan of Development (POD) to all working interest owners and regulatory agencies (BLM, OCD & The State Land Office). This provides the working interest owners and regulatory agencies the opportunity to review the unit activity. Each owner can monitor their leasehold or mineral development and protect it from any potential drainage by contacting the operator and reviewing well locations.

2) If a new well is drilled in an undrilled drillblock (see exhibit - Drillblock B) and is deemed commercial and admitted to the Participating Area (PA), there will be no drainage concerns. If the well is deemed non-commercial and therefore does not become part of the PA, then the PA owners or the non-participating owners have to ability to propose and drill an offset well or a replacement well to protect their correlative rights. Given that the well was deemed non-commercial and is not capable of producing gas in commercial quantities, the impact on the PA is minimal. This scenario holds true in a non-participating drillblock (see exhibit - Drillblock A) as well.