Location Exception
Increased Density

Oil and Gas Practice
OU Law School
October 7, 2015

Eric R. King
Changes to OCC General Rules and Oil & Gas Conservation Rules are reflected herein in **white and underlined**. These changes became effective 8/27/15.
Location Exception Rules:

Oklahoma Corporation Commission
165:5-7-9
Well Location Exception

• (a) The application and notice of hearing for an order granting a well location exception for a well drilled or to be drilled for oil or gas into any common source of supply at a location other than that authorized by a rule or order of the Commission shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing, by regular mail upon the operator of each well located in an adjoining or cornering tract of land or drilling and spacing unit, currently producing from the same common source of supply, toward which tract or unit the well
location has been or is proposed to be moved. The application and notice of hearing shall specify the name(s) of the well(s) and operator(s) of the well(s) towards which the location exception well is moving. The application and notice of hearing also shall be served, in the manner required above, upon the operator of any well located in an adjoining or cornering tract of land or drilling and spacing unit currently producing from the same common source of supply, if the requested well location is closer to the offsetting well than would be permitted under the applicable well location tolerances or requirements. Provided, however, if the applicant, or
any other entity to be authorized to drill or otherwise operate the subject well, is the operator of any of the wells identified above, then the application and notice of hearing shall be served, in the manner required above, upon each working interest owner in any such well.

• (b) An application and notice of hearing for an order granting a well location exception pursuant to this Section may also include a request for an exception to OAC 165:10-3-28(c)(2). The application and notice of hearing shall be served in the manner required in subsection (a) of this Section, and shall contain the information required in such subsection. Where an
application includes requested relief for both a location exception and exception to OAC 165:10-3-28(c)(2), such application shall separately identify respondents for the location exception and respondents for the exception to OAC 165:10-3-28(c)(2).

• (c) For any well other than a directionally drilled well or a horizontal well, the application and notice of hearing for a location exception shall specify the proposed or actual surface location of the well expressed in feet from the two nearest boundaries of the drilling and spacing unit, or, if no drilling and spacing unit has been established, from the two
nearest boundaries of the mineral estate(s) upon which the well will be or has been drilled.

(d) For a directionally drilled well, the application and notice of hearing for a location exception shall specify the proposed or actual subsurface location of the well's entry into and the proposed or actual established, from the two nearest boundaries of the drilling and spacing unit, or, if no drilling and subsurface location of the well's exit from the common source of supply for which the location is requested, expressed in feet from two nearest boundaries of the drilling and spacing unit or, if no
drilling and spacing unit has been established, from the two nearest boundaries of the mineral estate(s) upon which the well will be or has been drilled. For purposes of this section, a directionally drilled well does not include a horizontal well.

• (e) For a horizontal well, the application and notice shall also include the proposed or actual subsurface location of the completion interval, as defined by OAC 165:10-3-28, within the common source of supply for which the location exception is requested, expressed as the distance in feet from the nearest boundaries of the drilling and spacing unit or, if no drilling and spacing unit has been established, from
the nearest boundaries of the mineral estate(s) upon which the well will be or has been drilled.

• (f) The proposed subsurface location for a directionally drilled well or a horizontal well may be described in the application and notice of hearing as no closer than specified footages from the nearest boundaries of the drilling and spacing unit or, if no drilling and spacing unit has been established, from the nearest boundaries of the mineral estate(s) upon which the well will be drilled.

• (g) At the time of hearing, a well’s location, as set out in the application and notice of hearing, may be changed to another location that is not closer to the
boundaries of the drilling and spacing unit or mineral estate(s) described in the application and notice of hearing, that is not closer to any offsetting well the operator of which, or any working interest owner in which, was required to be notified under this section, and that does not require notice to additional operators or working interest owners under this section.

(h) If at the time of the hearing on an application for a directionally drilled well or a horizontal well, the applicant does not have the results of the well survey required by OAC 165:10-3-27, then the Administrative Law Judge may recommend the
issuance of an interim order granting the application and, if so, shall consider whether to adjust the allowable based on the potential locations of the well in each common source of supply for which the order is sought. All potential locations shall be considered in the interim order. If the directionally drilled or the horizontal well is drilled and completed in compliance with the interim order, the well shall be assigned the allowable as set out in the interim order.

• (i) If a directionally drilled or horizontal well is drilled and completed in compliance with an interim order approving a location exception, and no party of
record has requested a hearing, the Commission may issue a final order approving the location exception, without further hearing, based on an administrative review by the Commission’s Technical Services Department of the following documents, which the applicant must file with the Court Clerk for the record: the directional survey, a final plat showing the actual location of the lateral, and the well completion report. The applicant must also submit a proposed final order to the Commission’s Technical Services Department in any cause handled through the administrative review process. In the event the directional survey shows that a directionally drilled
or horizontal well was not drilled and completed in compliance with the interim location exception order, the applicant shall notify the Commission and all of the parties entitled to notice in the original hearing establishing the interim order by filing an amended application in the cause setting forth the actual subsurface locations of the well and by giving proper notice thereof. The actual subsurface locations of the well will be considered at a hearing conducted on the date specified in the interim location exception order, or on such date to which the hearing is continued.
• (j) Notice of hearing on an application for an order granting a well location exception for a well drilled or to be drilled for oil or gas at a location other than that authorized by a rule or order of the Commission shall be published pursuant to OAC 165:5-7-1(n)(2).
Any well drilled for oil or gas to an unspaced common source of supply 2,500 feet or more in depth shall be located not less than 330 feet from any property line or lease line, and shall be located not less than 600 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply; provided and except that in drilling to an unspaced common source of supply that is less than 2,500 feet in depth, the well shall be located not less than 165 feet from any property line or lease line and not less than
300 feet from any other producible or drilling oil or gas well in the same common source of supply; provided, however, that the completed depth of the discovery well shall be recognized as the depth of the common source of supply for the purpose of this Section; provided further, when an exception to this Section is granted, the Commission may adjust the allowable or take such other action as it deems necessary for the prevention of waste and protection of correlative rights.
165:10-1-24
Permitted Well Locations within Standard Drilling and Spacing Units
• (a) The permitted well location within any standard square drilling and spacing unit shall be the center of the unit. The permitted well locations within standard rectangular drilling and spacing units shall be the centers of alternate square tracts constituting the units (alternate halves of the units); provided, however, a well will be deemed drilled at the permitted location if drilled within the following tolerance areas:
• (1) Not less than 165 feet from the boundary of any standard 10-acre drilling and spacing unit or the proper square 10-acre tract within any standard 20-acre drilling and spacing unit.

• (2) Not less than 330 feet from the boundary of any standard 40-acre drilling and spacing unit or the proper square 40-acre tract within any standard 80-acre drilling and spacing unit.
• (3) Not less than 660-feet from the boundary of any standard 160-acre drilling and spacing unit or the proper square 160-acre tract within any standard 320-acre drilling and spacing unit.

• (4) Not less than 1320 feet from the boundary of any standard 640-acre drilling and spacing unit.
(b) The proper square tract of a rectangular drilling and spacing unit established prior to January 1, 1971, for which a slot drilling pattern was prescribed, shall be the northeast quarter and the southwest quarter of the governmental section, quarter section, or quarter quarter section containing two abutting rectangular drilling and spacing units; provided, slot patterns may be established or re-established upon application, notice, and hearing where consistent with available geological and engineering information when necessary to prevent waste or protect correlative rights.
• (c) The permitted well location tolerance areas set out in (a) of this Section shall apply to each standard drilling and spacing unit heretofore or hereafter established, notwithstanding the provisions of any special order of the Commission prescribing a different permitted well location tolerance area; provided, however, this Section shall not affect any adjusted allowable or penalty applied to any well by special order of the Commission prior to the effective date of this Section, nor shall any well heretofore drilled within a then permitted tolerance area be deemed outside the permitted tolerance area by reason of this Section.
• (d) Wells drilled offpattern without first obtaining an exception after notice and hearing by the Commission are hereby prohibited from producing either oil or gas.

• (e) Whenever permission is granted to drill a well at a location other than specified in this Chapter, the allowable or production therefrom, or both, may be adjusted for the protection of the correlative rights of all persons entitled to share in the common source of supply.
• (f) Unless the order granting a well location exception provides otherwise, the permission to drill the well at the excepted location shall expire twelve (12) months after the date of the order, unless a well was commenced at the excepted location on or before the expiration date. The order granting the well location exception will thereafter expire when the well is plugged, abandoned, or converted.

• (g) An application for an emergency order granting a well location exception may be granted if the applicant has obtained the written consent of the operator of each adjoining or cornering tract of land or drilling and spacing unit, currently producing
from the same formation, toward which the well location is proposed to be moved. Provided, however, if the applicant is the operator of the well in an adjoining or cornering tract of land or drilling and spacing unit, currently producing from the same formation, toward which the well location is proposed to be moved, the applicant shall obtain the written consent of each working interest owner in such well.

(1) Letters evidencing the written consent of off-set operators and working interest parties as described in this subsection shall be introduced and received into evidence at the time of the
emergency hearing and reviewed. Copies of said letters shall be filed with the Court Clerk of the Commission.

(2) If the written consent described in this subsection cannot be obtained, the applicant may send written notice to said non-consenting party giving that party at least five business days notice of the emergency hearing. If said non-consenting party fails to appear, then the emergency application shall be considered and may be granted without the non-consenting party's written consent. The applicant shall file
• an affidavit of mailing with the Court Clerk to prove the mailing of the five business days notice.

• (h) If a spacing application is currently pending and the applicant or any party who owns the right to drill needs to commence a well prior to issuance of the spacing order, the applicant or party shall obtain an emergency order to commence such well and an emergency location exception order if:

  (1) The proposed well is off-pattern according to the existing spacing for any formation involved, or

  (2) The well is off-pattern according to 165:1O-1-21 governing well patterns for unspaced areas.
• (i) Whenever an order permits an offpattern well, the order permitting said well may provide, at the request of a party of record in the cause, for said party to have the right, at his sole cost and risk, to attend and monitor the initial potential testing and all subsequent annual testing of the proposed offpattern well. If the order permits witnessing of tests as prescribed above, then the order shall further provide that at least five days prior to the initial potential testing and each subsequent annual testing of the proposed well, the operator of the well shall notify, in writing, all parties of record in the
cause who requested to attend and monitor these tests of the date and time upon which said testing shall commence.
(a) Well location for purposes of well spacing. For purposes of the well spacing requirements of 165:10-1-21 and 165:10-1-24, the location of a well in a common source of supply is the closest point to the unit boundary where the wellbore intersects the common source of supply.
• (b) **Presumed bottom hole location.** For purposes of review of Form 1000 applications, the Conservation Division may presume that the location in a common source of supply of a well without a horizontal drainhole is the same as the surface location for the well unless:

(1) The operator submits a bottom hole survey, if the well has been drilled; or

(2) The operator complies with (c) (1) of this Section.
• (c) Permitted and prohibited Locations.

(1) Offpattern surface location; permitted subsurface location.

(A) The Conservation Division may approve a Form 1000 for a well to be commenced without a location exception at an offpattern surface location for a common source of supply when:

(i) The Form 1000 lists a subsurface location which is a permitted location for the common source of supply.
(ii) Issuance of a Permit to Drill is conditioned on the operator running a bottom hole survey within 30 days after reaching total depth and on the operator submitting the survey to the Conservation Division within 45 days after the well reaches total depth.

(B) The well shall not receive an allowable for the common source of supply until a bottom hole survey shows that the well is at a permitted location or until the operator obtains a location exception order for the subsurface location.
(2) **Offpattern subsurface location.**

(A) The Conservation Division shall not approve a Form 1000 without a location exception order for an off-pattern subsurface location.

(B) Issuance of a Permit to Drill under (1) of this subsection does not permit an operator to have, without a location exception order, an off-pattern subsurface location for a common source of supply.
(d) **Required directional and bottom hole surveys.** For good cause, the Commission may order an operator to run directional and/or bottom-hole surveys for a common source of supply in a well:

(1) Upon application, notice, and hearing; or

(2) In any case involving the location of a well, upon motion of an affected party or upon the Commission's own motion.
165:5-15-4
Location exception orders for increased density wells

• (a) **Required language; allowable restrictions.** A location exception order for an increased density well where allowable restrictions have been imposed shall contain language obligating the applicant to:

  (1) Maintain a monthly allocation schedule for the well which schedule shall show the method used in calculating the allowable, production and the status as to overage or underage.
(2) Furnish a copy of the schedule to each offsetting operator who entered an appearance in the cause.

(3) File with the Gas Department of the Oil and Gas Conservation Division, no later than February 15 each year, a summary of the schedule showing the allowable and production for the calendar year and the status as to overage and underage as of December 31.
• (b) **Termination of order.** A location exception order for an increased density well shall terminate if the relief granted is not undertaken within one (1) year from the order's date of issuance, unless otherwise provided in the order.
165:5-15-6
Location Exception Orders

• A location exception order shall terminate if the relief granted is not undertaken within one (1) year from the order's date of issuance, unless otherwise provided in the order. For directionally drilled wells, the location of the entry into and exit from the common source of supply must be specified.
Pre-Requisites To Preparing Location Exception Application
Location Exception

Prior to contacting your attorney to prepare an application for a location exception well at the Oklahoma Corporation Commission, there are certain prerequisites the landman should have completed for the attorney to be able to file the application.

The applicant should obtain an examination of the records in the office of the County Clerk by either a lease-broker or the landman responsible for the location exception well. They should determine the name and address of the operator of each well located in an adjoining or cornering tract of land, or drilling and spacing unit, currently producing from the same formation or common source(s) of supply toward which the location exception well is proposed to be moved. OAC-OCC 165:5-7-9(a).

It should be noted that the Corporation Commission has recently amended the language which is reflected in the prior paragraph effective July 1, 1997, but has also added the following language:

...and the same notice also shall be required if the requested well location would be closer to the wells producing from those adjoining or cornering tracts of land or drilling and spacing units than would be permitted at a legal location."

Frankly the “new” language is confusing at best, so I recommend you discuss this with your attorney in determining who is entitled to receive notice.

The report should include the name and address of the operator of each well, which is currently producing from the same common source(s) of supply sought to be produced in the proposed location exception well, located in an adjoining or cornering tract of land or drilling and spacing unit, toward which the proposed location exception well is to be drilled. Id. In addition, the report should include the names and addresses of all the working interest owners in any of the wells in any of the adjoining or cornering tracts of land where the applicant for the proposed location exception well is also the operator of any of those wells producing from the same common source(s) of supply. Id.

After you complete the pre-requisite tasks, you will then need to contact your attorney to request the filing of the location exception application and provide:

1. the legal description of the land for the location exception application;

2. a list of the name and address of the operator of each well, which is currently producing from the same common source(s) of supply sought to be produced in the proposed location exception well, upon each adjoining or cornering tract of land or drilling and spacing unit, toward which the proposed location exception well is to be drilled;
3. a list of the names and addresses of all of the working interest owners in each of the well(s), which is/are currently producing from the same common source(s) of supply sought to be produced in the proposed location exception well, upon each adjoining or cornering tract of land or drilling and spacing unit, toward which the proposed location exception well is to be drilled, where the applicant is the operator of the well(s);

4. the formation or common source(s) of supply to be included in the application for the location exception well; and

5. a copy of the spacing order(s) which spaced the common source(s) of supply sought in the application for the location exception well.

6. the surface location for the location exception well, if it is different from the anticipated bottom hole location or if the well is to be directionally drilled.

In the scenario where the surface location for the location exception well different from the anticipated bottom hole location, or where the well is to be directionally drilled, I recommend you give your attorney some distance parameters for both the surface and the anticipated bottom hole location, since the applicant may amend the application for the location exception at the time of the hearing, if you amend the location of either the surface or the anticipated bottom hole location to a more legal location.

See OAC-OCC 165:5-7-1; 165:5-7-9
LOCATION EXCEPTION ORDER
(vertical)
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: SANGUINE GAS EXPLORATION, L.L.C.

RELIEF REQUESTED: WELL LOCATION EXCEPTION

LEGAL DESCRIPTION: SECTION 4,
TOWNSHIP 9 NORTH, RANGE 26 WEST,
BECKHAM COUNTY, OKLAHOMA

CAUSE CD NO. 201200521

ORDER NO. 595326

ORDER OF THE COMMISSION

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., the 14th day of February, 2012, Jim Thorpe Building, Oklahoma City, Oklahoma.


3. Companion Causes: None.

4. Notice and Jurisdiction: Applicant is a proper party and that the Commission has jurisdiction over the subject matter herein. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publishers' affidavits of publication thereof, and the affidavits of mailing. The Administrative Law Judge conducted a judicial and adjudicative inquiry into the sufficiency of the applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced, the Commission finds that Applicant and the Commission officials have exercised due diligence and have conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and the rules of the Commission.

5. Amendment: Applicant amended its application by interlineation to space the Erick Limestone common source of supply as spaced by Order No. 128976 rather than the "Erick Limestone." Applicant amended its location at the time of hearing to 660 feet south of the north line and 1,980 feet west of the east line of Section 4, Township 9 North, Range 26 West, Beckham County, Oklahoma, which is a staked location.
Sanguine Gas Exploration, L.L.C.
Order
Cause CD No. 201200521

6. **Relief Requested:** Applicant requests that Sanguine Gas Exploration, L.L.C. be permitted to drill and to produce a well at the location shown in "Relief Granted" herein.

7. **Reason Relief Should Be Granted:** Based upon the testimony of the expert witnesses for the applicant and Exhibit 1 (Top Virgil Reef Zone structure map) and Exhibit 2 (Top Council Grove Group structure map), it was shown the requested location is necessary to protect the correlative rights of the mineral owners of a 640-acre drilling and spacing unit underlying Section 4. The location requested with the data available appears to be the best location to protect the mineral owners in Section 4, to lower the risk of drilling the well, and having the well updip from some potential water issues, given the control. The location requested is a wildcat, and is in part based on old logs from 30 years ago. The location requested seeks to secure optimum thickness in the Chase Group Dolomites, Council Grove Group, Erick Limestones, Virgil Reef Zones, and Missourian Granite Washes common sources of supply, and should assist in securing the recovery of hydrocarbons from the unit. The granting of this application will prevent waste and protect correlative rights.

8. **Relief Granted:** The requested well location is granted; the well to be situated:

   660 feet south of the north line and 1,980 feet west of the east line of Section 4, Township 9 North, Range 26 West, Beckham County, Oklahoma,

for the 640-acre drilling and spacing units underlying Section 4, Township 9 North, Range 26 West, Beckham County, Oklahoma, for the Chase Group Dolomites, Council Grove Group, Erick Limestones, Virgil Reef Zones, and Missourian Granite Washes common sources of supply as an exception to Order Nos. 125006 and 128976.

9. **Allowable:** The allowable for the well should be 100% of a normal allowable for the Chase Group Dolomites, Council Grove Group, Erick Limestones, Virgil Reef Zones, and Missourian Granite Washes common sources of supply.

10. **Authority to Drill:** That the well location, in accordance with the foregoing, is necessary to prevent waste and to protect correlative rights and Sanguine Gas Exploration, L.L.C. should be permitted both to drill, complete, test, and produce the well as set out herein and IT IS SO ORDERED.
11. Effective Date: This Order shall be effective as of the date of this Order. This order shall terminate if the relief granted is not undertaken within one (1) year from the date of this Order.

CORPORATION COMMISSION OF OKLAHOMA

DANA L. MURPHY, Chair

BOB ANTHONY, Vice Chairman

PATRICE DOUGLAS, Commissioner

DONE AND PERFORMED this 15th day of February, 2012.

BY ORDER OF THE COMMISSION:

PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE.

The foregoing findings and order are the report and recommendations of the Administrative Law Judge.

Michael Porter
Administrative Law Judge

Reviewer

APPROVED AS TO FORM AND CONTENT:

Eric R. King
LOCATION EXCEPTION ORDER
(horizontal)
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: ENCINO OPERATING, LLC

RELIEF REQUESTED: WELL LOCATION EXCEPTION

LEGAL DESCRIPTION: E/2 OF SECTION 4, TOWNSHIP 16 NORTH, RANGE 23 WEST, ELLIS COUNTY, OKLAHOMA

CAUSE CD NO. 201405164

ORDER NO. 629762

INTERIM ORDER OF THE COMMISSION

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., the 1st day of August, 2014, Oklahoma City, Oklahoma.

2. Appearances: Eric R. King, Attorney, appeared for the Applicant, Encino Operating, LLC.

3. Notice and Jurisdiction: Applicant is a proper party and that the Commission has jurisdiction over the subject matter herein. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publishers' affidavits of publication thereof, and the affidavits of mailing. The Administrative Law Judge conducted a judicial and adjudicative inquiry into the sufficiency of the applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced, the Commission finds that Applicant and the Commission officials have exercised due diligence and have conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and the rules of the Commission.


5. Amendment: None.

6. Technical Review: The base application is okay per the Technical Department.
7. **Relief Requested:** Applicant requests that the well be permitted and it be allowed to produce at the location shown in "Relief Granted" herein.

8. **Reason Relief Should Be Granted:** Based upon the testimony of the expert witnesses for the applicant, Exhibit 1 (production and Tomkawa Sand net pay isochron map), it was shown the requested location is the best location for this horizontal well in the east side of the unit; is the optimum location to allow further development in the unit; has natural fractures running predominantly east and west, and the location will allow Applicant to run a significant lateral length and provide good deliverability in the Tomkawa common source of supply. The granting of this application will prevent economic waste and protect correlative rights.

9. **Relief Granted:** The requested well at the requested location is granted; the well to be drilled:

   **Location of Completion Interval**

   Perforations no closer than 230 feet from the north line, no closer than 330 feet from the south line, and no closer than 330 feet from the east line of the E2 of Section 4, Township 16 North, Range 23 West, Ellis County, Oklahoma,

   for the 320-acre drilling and spacing unit for the Douglas (less Tomkawa) and Tomkawa common sources supply as an exception to Order No. 587154.

10. **Special Finding:** The entire length of the lateral will be cemented such that the perforations will be isolated from the beginning and end point of the lateral in order to protect the correlative rights of the offset units, and at this time, the Applicant plans on using the plug and perf completion technique.

11. **Allowable:** The allowable for the well should be 100% of a normal allowable for the Douglas (less Tomkawa) and Tomkawa common sources of supply.

12. **Authority to Drill:** That the well location, in accordance with the foregoing, is necessary to prevent waste and to protect correlative rights andEncino Operating, LLC should be permitted to drill, complete, test, and produce the well as set out herein and IT IS SO ORDERED.

13. **Effective Date:** This Order shall be effective as of the date of this Order.
14. **Reopening Date:** This cause shall be continued to the 3rd day of November, 2014, for the submission of the directional survey of the horizontal well.

**CORPORATION COMMISSION OF OKLAHOMA**

BOB ANTHONY, Chairman

PATRICE DOUGLAS, Vice Chairman

DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 27th day of August, 2014.

**BY ORDER OF THE COMMISSION:**

[Signature]

**REPORT OF THE ADMINISTRATIVE LAW JUDGE**

The foregoing findings and order are the report and recommendations of the Administrative Law Judge.

[Signature] 08/13/14  
Date

[Signature] 8/25/14  
Date

**APPROVED AS TO FORM AND CONTENT:**

[Signature]  
Eric R. King
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: ENCINO OPERATING, LLC

RELIEF REQUESTED: WELL LOCATION EXCEPTION

LEGAL DESCRIPTION: 1/2 OF SECTION 4, TOWNSHIP 16 NORTH, RANGE 23 west, ELLIS COUNTY, OKLAHOMA

CAUSE CD NO. 201405164

ORDER NO. 643915

FINAL
ORDER OF THE COMMISSION

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., the 21st day of July, 2015, Oklahoma City, Oklahoma.

2. Appearances: Eric R. King, Attorney, appeared for the Applicant, Encino Operating, LLC.

3. Notice and Jurisdiction: Applicant is a proper party and that the Commission has jurisdiction over the subject matter herein. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publishers' affidavits of publication thereof, and the affidavits of mailing. The Administrative Law Judge conducted a judicial and adjudicative inquiry into the sufficiency of the applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced, the Commission finds that Applicant and the Commission officials have exercised due diligence and have conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and the rules of the Commission.


5. Amendment: None.

6. Relief Requested: Applicant requests that the well be permitted and it be allowed to produce at the location shown in "Relief Granted" herein.

7. Reason Relief Should Be Granted: Based upon the testimony of the expert witnesses for the applicant, the exhibits previously introduced, and Exhibit 2 (directional survey),
Encino Operating, LLC
Final Order
Case No. 201405164

it was shown the requested location is the best location for this horizontal well in the east side of the unit; is the optimum location to allow further development in the unit; has natural fractures running predominantly east and west, and the location will allow Applicant to run a significant lateral length and provide good deliverability in the Tonkawa common source of supply. The granting of this application will prevent economic waste and protect correlative rights.

8. Relief Granted: The requested well at the requested location is granted; the well to be situated:

Surface Location

250 feet FNL and 450 feet FEL of Section 9, Township 16 North, Range 23 West, Ellis County, Oklahoma;

Heel Perforation (Entry)

420 FSL and 435 FEL of Section 4, Township 16 North, Range 23 West, Ellis County, Oklahoma, at a measured depth of 8,709' and total vertical depth of 8,341’;

Toe Perforation (Termination)

449 FNL and 477 FEL of Section 4, Township 16 North, Range 23 West, Ellis County, Oklahoma, at a measured depth of 13,137' and total vertical depth of 8,261’;

Bottomhole Location

336 FNL and 477 FEL of Section 4, Township 16 North, Range 23 West, Ellis County, Oklahoma, at a measured depth of 13,250' and total vertical depth of 8,258’;

for the 320-acre drilling and spacing unit for the Douglas (less Tonkawa) and Tonkawa common sources supply as an exception to Order No. 587154.

9. Special Findings: The entire length of the lateral was cemented such that the perforations are isolated from the beginning and end point of the lateral in order to protect the correlative rights of the offset units, and Applicant used the plug and perf completion technique.

10. Allowable: The allowable for the well should be 100% of a normal allowable for the Douglas (less Tonkawa) and Tonkawa common sources of supply.

11. Authority to Drill: That the well location, in accordance with the foregoing, is necessary to prevent waste and to protect correlative rights and Encino Operating, LLC should be
Encino Operating, LLC  
Final Order  
Cause CD No. 201405164

permitted to drill, complete, test, and produce the well as set out herein and IT IS SO ORDERED.

12. **Effective Date:** This Order shall be effective as of the date of this Order.

13. **Expiration of Interim Order:** This well was drilled pursuant to Interim Order No. 629762. This final order shall supersede said Order, and shall remain in effect until the well is plugged and abandoned.

CORPORATION COMMISSION OF OKLAHOMA

Bob Anthony
BOB ANTHONY, Chairman

Dana L. Murphy
DANA L. MURPHY, Vice Chairman

J. Todd Hiett, Commissioner

DONE AND PERFORMED this 6 day of August, 2015.

BY ORDER OF THE COMMISSION:

Randy Murdock
PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings and order are the report and recommendations of the Administrative Law Judge:

Michael Porter

August 3, 2015

Date

APPROVED AS TO FORM AND CONTENT:

Eric R. King

[Signature]
Increased Density Rules:

Oklahoma Corporation Commission
165:5-7-10

Increased Density

• (a) **Notice of hearing.**

  (1) For increased well density applications, notice of hearing shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing by regular mail upon:

  (A) Each person or governmental entity entitled to oil or gas or the proceeds of oil or gas produced from the common source of supply in the drilling and spacing unit
for which the application for an increased density well has been filed; and (B) The operator, as shown by the records of the Commission, of each well which is commencing or currently producing from the same common source of supply in the drilling and spacing unit or any separate tract of land for which no drilling and spacing unit has been formed for such common source of supply adjoining, cornering or adjacent to the drilling and spacing unit for such an increased density well.
(2) If the applicant is the operator of a well commencing or currently producing from the same common source of supply applicable to the increased density well in a drilling and spacing unit or a separate tract of land for which no drilling and spacing unit has been formed for such common source of supply adjoining, cornering or adjacent to the drilling and spacing unit for such increased density well, notice of hearing shall be served by the applicant no less than fifteen (15) days prior to the date of hearing by regular mail upon
each owner, as shown by the records of the operator, with a working interest in such well in such common source of supply.

(3) If the applicant is seeking approval of an increased density well to be completed in a common source of supply for which the Commission has established field rules, and for which no application for an increased density well in such common source of supply has been approved by the Commission subsequent to January 1, 1998, and prior to June 21, 1999, notice of hearing shall be served by the applicant no less than fifteen
(15) days prior to the date of hearing by regular mail upon the operator, as shown by the records of the Commission, of each well commencing or currently producing from that same common source of supply governed by the field rules.

(4) Where some person other than the applicant may be authorized to drill an increased density well, the notice shall so state.

(5) No person except for those persons provided for in this subsection shall be entitled to notice of the hearing on an application for approval of an increased density well in any drilling and spacing unit.
• **(b) Publication of notice.** Notice of hearing for an increased density well shall be published pursuant to 165:5-7-1(n)(2). If the increased density well is to be completed in a common source of supply for which the Commission has established field rules and for which no application for an increased density well in such common source of supply has been approved by the Commission subsequent to January 1, 1998, and prior to June 21, 1999, notice of the hearing shall also be published one time at least fifteen (15) days prior to the hearing in a newspaper of general circulation published in each county in which the lands subject to the field rules are located.
(c) **Commingled production.** Where production from an original unit well has been commingled and the operator has failed to obtain a commingling order for that well, an increased density well shall not be produced from the commingled common sources of supply until such time that proof of a commingling order is entered at the hearing for increased density.
165:10-1-27
Increased Density Well

• Upon application after notice and hearing, the Commission may issue an order permitting one or more additional wells within a drilling and spacing unit, if each additional well will prevent or assist in preventing the various types of waste prohibited by statute or if each additional well will protect or assist in protecting the correlative rights of interest owners in said common source of supply.
165:10-17-9
Special Allocated Gas Pools

• (f) Basic allowable.
  (2) Apportionment of basic allowable.
  (A) Increased density unit without apportionment of the allowable. If neither OAC 165:10-13-9 nor an order of the Commission require specific allocation of the unit allowable to each unit well, overage and underage shall be carried on a unit basis.
(B) **Increased density unit with ratable allowables.** If either OAC 165:10-13-9 or an order of the Commission require specific allocation of the unit allowable to each unit well, overage and underage shall be carried on a per well basis. For purposes of computing overage and underage, the basic allowable shall be apportioned to each unit well using the formula for determining each well's ratable allowables for the applicable month under (3) of this subsection. The ‘s
term "ratable allowables" refers to a wellshare of the unit allowable under the formula apportioning the allowable amongst the unit wells.
165:5-15-5

Increased Density Orders

- (a) **Required language; allowable restrictions.** An increased density order where allowable restrictions have been imposed shall contain language obligating the applicant to:

  1. Maintain a monthly allocation schedule for the well which schedule shall show the method used in calculating the allowable, production and the status as to overage or underage.
(2) Furnish a copy of the schedule to each offsetting operator who entered an appearance in the cause.

(3) File with the Gas Department of the Oil and Gas Conservation Division, no later than February 15 each year, a summary of the schedule showing the allowable and production for the calendar year and the status as to overage and underage as of December 31.
• (b) **Termination of order.** An increased density order shall terminate if the relief granted is not undertaken within one (1) year from the order's date of issuance, unless otherwise provided in the order.
Pre-Requisites To Preparing Increased Density Application
Increased Density

Prior to contacting your attorney to prepare an application for an increased density well at the Oklahoma Corporation Commission, there are also certain pre-requisites the landman should have completed for the attorney to be able to file the application.

The applicant should obtain an examination of the records in the office of the County Clerk where the proposed increased density well is to be located, by either a landman or lease-broker responsible for the increased density well. They should prepare at a minimum, an ownership report to include all those parties entitled to share in production from the proposed increased density well. OAC-OCC 165:5-7-10(A). The report should also include the name and address of the operator of each well, (which has been commenced to or is currently producing from the same common source of supply sought to be produced in the proposed increased density well), upon each adjacent drilling and spacing unit, or tracts of land surrounding the drilling and spacing unit or tract of land where the proposed increased density well is to be drilled or recompleted. OAC-OCC 165:5-7-10(B). In addition, the report should include the names and addresses of all the working interest owners in any of the offset wells or tracts of land where the applicant for the proposed increased density well is also the operator of any of those offset wells drilling to or producing from the same common source of supply. OAC-OCC 165:5-7-10(C)(2).

In the alternative, you may wish to contact an attorney who should update the division order title opinion for the names and addresses of all the owners who have the right to share in the production from the proposed increased density well. The other names and addresses as described above should be secured, either internally from production decks or from your leasebroker.

After you complete the pre-requisite tasks, you will then need to contact your attorney to request the filing of the increased density application and provide:

1. the legal description of the land for the increased density application;

2. a list of the name and address of each of the parties entitled to share in production in the legal description of the land covered by the application for the increased density well;

3. a list of the names and addresses of each of the offsetting operators of wells drilling to or producing from the same common source of supply to be requested by the applicant for the increased density well;

4. a list of the names and addresses of all of the working interest owners in each of the wells on the adjacent drilling and spacing units or tracts of land, drilling to or producing from the same common source of supply to be requested by
the applicant for the increased density well, where the applicant is the operator of the well(s);

5. the formation or common source(s) of supply to be included in the application for the increased density well; and

6. a copy of the spacing order(s) which spaced the common source(s) of supply sought in the application for the increased density well.

See OAC-OCC 165:5-7-1; 165:5-7-10.
INCREASED DENSITY ORDER
(640-acre drilling and spacing units)
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: AMERICAN ENERGY – WOODFORD, LLC

RELIEF REQUESTED: INCREASED DENSITY

LEGAL DESCRIPTION: SECTION 3, TOWNSHIP 17 NORTH, RANGE 4 EAST, PAYNE COUNTY, OKLAHOMA

CAUSE CD NO. 201408153

ORDER NO. 634351

ORDER OF THE COMMISSION

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., the 8th day of December, 2014, Oklahoma City, Oklahoma.


3. Notice and Jurisdiction: Applicant is a proper party and that the Commission has jurisdiction over the subject matter herein. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publishers' affidavits of publication thereof, and the affidavits of mailing. The Administrative Law Judge conducted a judicial and adjudicative inquiry into the sufficiency of the applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced, the Commission finds that Applicant and the Commission officials have exercised due diligence and have conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and the rules of the Commission.


5. Amendment: None.

6. Relief Requested: Applicant requests that two additional wells be permitted and allowed to produce as shown in "Relief Granted" herein.

7. Reason Relief Should Be Granted: Based upon the testimony of the expert witnesses for the applicant, Exhibit 1 (production map), and Exhibit 2 (chart showing reserves in place), it was shown that the requested increased density wells are necessary to protect the correlative rights of the mineral owners in the unit and to recover gas not able to be recovered by

(5390453; 5390451)
American Energy – Woodford, LLC
Order
Case CD No. 201408153

the existing Fowler #3-1MH and Barrett #3-2MH wells. Based upon Exhibit 2, there are 475,000 barrels of unrecoverable oil and 1,470 MMcf of unrecoverable gas absent the drilling of at least two additional wells. Waste will be prevented by the drilling of two additional wells, and the correlative rights of all parties will be adequately protected by the drilling of two additional wells.

8. Relief Granted: The requested increased density wells are authorized. The increased density wells are permitted for the Mississippian common source of supply underlying:

Section 3, Township 17 North, Range 4 East, Payne County, Oklahoma, a 640-acre unit, as an exception to Order No. 591937.

9. Allowable: If the wells are oil wells, a 80-acre allowable. If completed as gas wells, the wells will share a unit gas allowable.

10. The increased density wells, in accordance with the foregoing, are necessary to prevent waste and to protect correlative rights and American Energy – Woodford, LLC should be permitted to drill the wells as set out herein and IT IS SO ORDERED.

11. Effective Date: This Order shall be effective as of the date of this Order. This Order will terminate if the relief requested is not commenced within one (1) year from the date of this Order.

CORPORATION COMMISSION OF OKLAHOMA

BOB ANTHONY, Chairman

PATRICE DOUGLASS, Vice Chairman

DANA L. MURPHY Commissioner

DONE AND PERFORMED this 19 day of December, 2014.

BY ORDER OF THE COMMISSION:

PIG W. MITCHELL, Secretary
American Energy – Woodford, LLC
Order
Cause CD No. 201408151

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings and order are the report and recommendations of the
Administrative Law Judge.

Susan Otbum
Administrative Law Judge

Reviewed

Approved as to form and content:

[Signature]
Eric R. King
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