

**REVISED
BASIC PRORATION ORDER FOR THE
GLICK MISSISSIPPI GAS POOL**

**DOCKET NO.: 55,164-C
(C-5667)**

**ISSUED BY
THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

**Thomas E. Wright, Chair
Joseph F. Harkins, Commissioner
Michael C. Moffet, Commissioner**

**Susan K. Duffy, Executive Director
Doug Louis, Director, Conservation Division**

January 2010

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chair
Joseph F. Harkins, Commissioner
Michael C. Moffet, Commissioner

In the matter of establishing rules and) DOCKET NO. 55,164-C
regulations relating to the production,) (C-5667)
sale and conservation of natural gas in the)
Glick Mississippi Gas Pool of Kiowa,)
Comanche, and Barber Counties, Kansas.) CONSERVATION DIVISION

REVISED BASIC PRORATION ORDER FOR THE GLICK MISSISSIPPI GAS
POOL, KIOWA, COMANCHE, AND BARBER COUNTIES, KANSAS

(AS AMENDED)

Now, on this 27th day of October, 2009, the above-entitled matter comes before the Commission for consideration and determination on the Commission Staff's Order to Show Cause whether the Basic Proration Order for the Glick Mississippi Gas Pool should be dissolved. Notice was given in accordance with the Commission's rules and regulations. Protests were timely filed by Chesapeake Operating, Inc., Oil Producers, Inc. of Kansas, and Unit Petroleum Company, each objecting to complete dissolution of the Basic Proration Order. After conference with protestants, the Commission Staff agreed to recommend modification to the Basic Proration Order rather than dissolution. A hearing was held on October 22, 2009, regarding the recommended modifications and after hearing evidence and examining the records and files of the Commission, the Commission makes the following findings:

1. DESCRIPTION OF POOL: The Glick Mississippi Gas Pool is a common source of supply of natural gas and is considered as consisting, at the present time, of the following described acreage:

Township 30 South, Range 15 West, Barber County, Kansas.

Southwest Quarter, South Half of the Northwest Quarter, and the Northwest Quarter of the Northwest Quarter of Section 30.

Township 30 South, Range 16 West, Kiowa County, Kansas.

South Half of the South Half of Section 7, all of Section 11, and all of Sections 13 through 36.

Township 30 South, Range 17 West, Kiowa County, Kansas.

All of Sections 8 through 19, the North Half of the Southeast Quarter of Section 20, all of Sections 21 through 25, the North Half of Section 27, the East Half of the Northeast Quarter of Section 28, the North 40 acres of the West 2/3rds of Section 30, all of Sections 32 and 33, the West Half of the West Half of Section 34 and all of Section 36.

Township 30 South, Range 18 West, Kiowa County, Kansas.

All of Section 13, and the East Half of the East Half of Section 24.

Township 31 South, Range 15 West, Barber County, Kansas.

All of Sections 6 and 7.

Township 31 South, Range 16 West, Comanche County, Kansas.

All of Sections 1 through 13, the North Half of Sections 14 and 15, and the East Half of the Northeast Quarter of Section 16.

Township 31 South, Range 17 West, Comanche County, Kansas.

All of Sections 1, 2, 3, 11, and 12.

2. COMMON SOURCE OF SUPPLY: The Glick Mississippi Gas Pool is a common source of supply of natural gas within the purview of and as contemplated by K.S.A. Ch. 55, Article 7; said common source of supply exists in the Mississippi formation; gas is found in shaley chert in this formation and is encountered at approximately 4800 feet to 5000 feet below the surface; shale bodies are encountered within the producing formations throughout the field

but such shale bodies are comparatively thin and wholly inadequate to completely separate such various horizons and they, therefore, constitute one common source of supply. The thickness of the gas-producing horizons or zones in the common source of supply varies from 20 feet to 70 feet and the porosity averages approximately thirty percent (30%).

3. JURISDICTION REQUIRED: In order to prevent disproportionate production from the wells and leases in said pool which might impair the correlative rights of the owners of developed leases and in order to comply with the existing statutes to provide for orderly development in well spacing, it is necessary for the Commission to retain jurisdiction and to prescribe regulations for the production of gas from presently completed wells and others that may hereafter be completed in said pool, to the end that each person, firm or corporation having the right to drill into and produce natural gas from said pool may take therefrom only such proportion of the amount that may be produced therefrom without waste and as will permit each developed lease to produce ultimately the approximate amount of gas underlying the lease on which such well is located and currently produce proportionately with other leases in said pool.

4. ACREAGE AND WELL SPACING:

A. It has heretofore been determined by the Commission that one (1) well completed in the Glick Mississippi Gas Pool is adequate and sufficient to drain 640 acres without causing waste. Now, in consideration of the cost of drilling, equipping and operating one (1) well in comparison with the estimated recovery per acre and the rate at which the production for said field can be ratably-marketed, the Commission finds that the basic acreage unit to be maintained under this Order should remain 640 acres, unless otherwise prescribed herein.

B. Nonetheless, due to the current low pressures and low volumes of gas production in the Glick Mississippi Gas Pool, and in view of the prevailing market conditions for natural gas,

and in order to prevent physical waste of the remaining natural gas reserves in the common source of supply comprising the Glick Mississippi Gas Pool, the Commission determines it is now appropriate that the Basic Proration Order for said field allow on each basic acreage unit of 480 acres or more, at the option of the operator, the completion of one (1) additional well (hereinafter, "infill well") in the common source of supply comprising the Glick Mississippi Gas Pool, provided that the drilling and completion of such additional well complies with the provisions of this BPO.

C. Drilling additional increased density wells (hereinafter "increased density well"), beyond the one (1) infill well permitted under paragraph B above, may be appropriate for some proration units that are subject to this Order. However, increased density wells may not be necessary or economic for all such units due to variability in the common source of supply comprising the Glick Mississippi Gas Pool. Therefore, permission to drill increased density wells on each fully developed production unit shall be determined on a unit-by-unit basis subject to the approval of the Commission upon application and notice. Any increased density well in the common source of supply comprising the Glick Mississippi Gas Pool shall be allowed only whenever the Commission shall find that such increased density well (a) is necessary to recover significant additional gas reserves from the unit that would not otherwise be recovered by the existing wells on that unit, and (b) will not cause uncompensated cognizable drainage between proration units. An operator seeking to drill and complete an increased density well in the Glick Mississippi Gas Pool shall submit an application with the Commission, and shall provide notice of the filing of that application in accordance with K.A.R. § 82-3-135a(b) & (d). If a protest is filed in accordance with K.A.R. § 82-135a(e), the application shall be set for hearing before the Commission and the applicant shall bear the burden of proof at the hearing.

D. As to units of less than 480 acres, any additional drilling of wells will only be allowed on a unit-by-unit basis upon the filing and Commission approval of an increased density application as set forth hereinabove in paragraph C.

E. In order to be attributable to a well for allowable purposes, the acreage shall be contiguous or adjoining. The length of the unit shall not exceed approximately twice the width at its narrowest point. No well shall be drilled and completed upon any unit in the Glick Mississippi Gas Pool nearer than 1,250 feet from the boundary line of said unit, unless a well location exception is granted by the Commission upon application and notice, as prescribed in paragraph 6 herein, or the operator files an affidavit with the Commission, as prescribed in paragraph 7(c) herein.

F. All acreage attributable to a well must be proven to be reasonably productive of gas. The Commission may, on complaint filed or upon its own motion, after notice and hearing, exclude any acreage from inclusion in any unit which in its judgment is not productive and should not be considered as proven acreage.

5. UNITIZATION: It shall be lawful for the owners of two or more separately-owned contiguous or adjoining tracts of land, or of the minerals located thereunder, by appropriate contract between such owners, to cause such lands or minerals to be consolidated as one production unit and to apportion the royalties accruing from the production from said unit to be divided among them as they may agree, and when such agreement shall have been made, the royalties arising from the production of said unit shall be allocated as the parties thereto have agreed. It shall further be lawful for any operator or well owner to agree with the owners of lands or minerals to become part of a production unit and to share the royalties upon such basis as the operator and landowner or mineral owners may agree.

6. EXCEPTIONS: Exceptions to the above restrictions as to well location and length and width of unit may be granted after application and notice and whenever the Commission shall find that the granting of such exception is necessary to prevent waste or to protect correlative rights because of one of the following: (1) inability to secure other acreage after a reasonable attempt has been made; (2) where there is a surface obstruction, either natural or man-made; (3) where the well is a washdown, recompletion, or redrilling of an old well or hole; or (4) where the well was in existence or in the process of being drilled on the effective date of this Order.

7. ALLOWABLE PRODUCTION:

A. The adoption of regulatory controls that will provide each well the opportunity to ultimately produce approximately the amount of recoverable gas underlying the acreage attributable to such wellbore is the object sought to be accomplished by this Order as revised and amended. To that end, each well shall be allowed to produce up to one hundred percent (100%) of its Initial test CAOF per day.

B. Any well that does not conform to the well location tolerances set forth in this Order shall be subject to the restrictions on production imposed hereunder unless an order is (or has been) entered by the Commission granting a well location exception in accordance with the provisions of this Order, as revised and amended, without such production restriction. Absent a location exception being granted by the Commission setting a different allowable restriction, any well drilled after the effective date of this Order, as revised and amended, and drilled less than 1,250 feet to any unit boundary, shall have its daily allowable determined by the following formula:

Daily Allowable = 100% x Initial test CAOF per day x D / 1250

Where D = Distance from well location to nearest unit line, but no less than 330 feet from same.

Under the above formula, if any such well drilled after the effective date of this Order, as revised and amended, is located closer than 1,250 feet but not closer than 330 feet to the nearest unit boundary line, without a location exception being granted by the Commission, such well shall be required to produce at a daily allowable restricted by the proportionate reduction determined using the above formula. No well shall be drilled and completed upon any unit in the Glick Mississippi Gas Pool at any location closer than 330 feet to the boundary line of said unit, unless a well location exception and an appropriate daily allowable are granted by the Commission upon application and notice.

C. Subject to 4.C, for each new well drilled closer than 1,250 feet but not closer than 330 feet to the nearest unit boundary line, the operator thereof may either file with the Commission an application seeking a well location exception and the assignment of a daily allowable, or without a location exception and thus subject to the required allowable reduction according to the above formula, the operator thereof may file an affidavit with the Commission's Conservation Division stating that it is electing to accept a restricted allowable thereunder, as set forth in paragraph B, showing the calculation of said allowable according to the applicable distance "D" used in said calculation.

Absent the filing of an affidavit as allowed hereinabove, wells which are drilled closer than 1,250 feet from the nearest unit boundary line shall be assigned a production allowable only if a well location exception is granted by the Commission as provided herein and under the rules and regulations of the Commission, and shall be subject to any allowable restriction the Commission may impose, after notice of the application and any hearing prescribed by said

regulations in the event of a protest. In addition, any horizontal well drilled such that more than 625 feet of the horizontal portion is within 1,250 feet of a unit boundary shall be permitted only by the granting of a well location exception as provided herein and under the rules and regulations of the Commission, and subject to any allowable restriction that the Commission may impose after notice of the application and any hearing prescribed by said regulations in the event of a protest in lieu of that as determined above.

D. An operator may at any time request relief from the curtailment allowable described above or from the shut-in requirement of this Order as revised and amended by filing an application with the Commission in accordance with K.A.R. 82-3-300, and otherwise in accordance with the Commission's rules for procedure, K.A.R. 82-1-201, *et seq.* The application for relief should also (1) include a plan for bringing the well back in tolerance; and (2) show that an undue hardship will occur without the requested relief. "Undue hardship" shall be deemed to exist if the applicant shows that (1) without the requested relief, there is no alternative means for overcoming the hardship; or (2) the operator had no control over the circumstances that resulted in the well exceeding tolerance levels.

E. At the operator's discretion, it shall be permissible to downhole commingle in any wellbore within the boundaries of the Glick Mississippi Gas Pool the Glick common source of supply with any other gas-productive zones that can be produced compatibly with said common source of supply. Any such commingled well wherein the Glick common source of supply is open for production shall be allowed to produce pursuant to the terms of this Order.

F. All wells shall be equipped with meters of an approved type and the amount of gas produced from each well shall be accurately measured. All units that contain more than one (1) well shall accurately measure the gas from each well, and such measurements shall be reported

to the Commission. Provided, however, that where more than one (1) well is situated on a unit, a meter for each well is not required if, upon application, notice thereof, and proper showing, the Commission finds that all the gas produced from the wells on said unit may be accurately measured so as to determine whether production is ratable and without unreasonable discrimination.

8. ONE-POINT STABILIZED OPEN-FLOW TESTS:

A. Initial open-flow tests shall be taken by the owner or operator of any new or recompleted well. Periodic shut-in pressure tests of wells shall not be required unless ordered by the Commission after notice and hearing.

B. The initial open-flow capability of each new or recompleted well in the Glick Mississippi Gas Pool and any approved re-test shall be determined pursuant to the provisions of K.A.R. § 82-3-303 and K.A.R. 82-3-304, as amended from time to time. The results of the well test shall be reported by the operator to the Commission in accordance with the general rules and regulations of the Commission.

C. All data collected during tests must be available and in reproducible format for verification and analysis. If there is any loss or interruption of data transmission, the well shall be retested by the owner or operator of the well. No change of data recording elements shall be allowed during a well test.

9. ONE-POINT STABILIZED OPEN-FLOW RETEST:

A. The Conservation Division shall, upon written request by the operator, grant a 24-hour single point open-flow retest on any well whenever the operator verifies to the Conservation Division that any of the following work has been performed on that well subsequent to its most recent test: acidizing, re-perforation, fracture treatment, sand/paraffin/scale removal or other

wellbore cleanouts, casing repair, squeeze cementing, initial installation, or enhancement of artificial lifts including plunger lifts, rods, pumps, submersible pumps and coiled tubing velocity strings, downsizing existing tubing to reduce well loading, drilling deeper or recompleting in the common source of supply comprising the Glick Mississippi Gas Pool, bacteria treatment, polymer treatments, upgrading the size of the pumping unit equipment, setting bridge plugs to isolate water producing zones, addition of mechanical devices to dewater a well, enhancement of surface equipment, installation or enhancement of compression equipment, line looping or other technique or equipment which increases production from a well or a group of wells in a project, or any combination of the aforementioned operations. The following operations shall not entitle an operator to a retest: routine maintenance, routine repair, or like-for-like replacement of downhole or surface equipment such as rods, pumps, tubing, packers or other mechanical device. The retest shall be performed in accordance with the provisions of paragraph 8 of this Order.

B. With respect to operations performed on any well other than as specified hereinabove, the Conservation Division may, in its discretion, grant a retest if the operator files with the Conservation Division a verified written request for a retest describing the actions that have been taken by the operator on the well and upon the Conservation Division's determination that those actions were intended to and will likely result in a sustained enhancement of the deliverability of the well. When requesting a discretionary retest, the operator shall verify to the Conservation Division that a copy of its request for a retest was mailed or delivered to each operator or lessee of record and each owner of the minerals in unleased acreage within a one-mile radius of the well for which the retest is sought. The request shall be held in abeyance for a period of twenty-one (21) days following the filing and service of the request. If no protests are filed during that time period, the request may be granted administratively by the Conservation

Division. If any protests are filed, the request shall be set for hearing before the Commission upon due notice.

C. Owners of offset wells shall have the right, upon request, to witness the initial test of a new or recompleted well, or a retest. A written report thereof, signed by the persons taking and witnessing the same and approved by the representative of the Conservation Division who took or supervised the same, shall be made and filed with the Conservation Division, forms for which shall be furnished by the Division. The acreage attributed to each well shall be certified in writing by the owner of the well and, if the acreage assigned to any well should be increased or decreased at any time after the initial report thereon is made, such fact shall be promptly certified by the owner to the Division. Any operator in the field shall have the right to challenge the correctness of the acreage assigned to any well or unit. As new wells are brought in, their open-flow capabilities and pressures shall be taken within sixty (60) days, reported and certified in like manner.

10. MARKET DEMAND: If the Commission determines that the total volume of gas produced from the Glick Mississippi Gas Pool exceeds the market demand for gas from said field, as determined under K.S.A. § 55-703(a), the Commission may, on its own motion and upon due notice to the operators of the wells in said field, conduct a hearing to determine whether production from all the wells in the Glick Mississippi Gas Pool should be reduced ratably to account for such decreased market demand. In the event that the Commission enters an order that restricts production from the wells in said field, the Commission shall give notice of and conduct additional hearings, not less frequently than every six (6) months thereafter, to receive evidence and consider whether the market demand for gas produced from the field has changed and whether production from the wells in said field should be increased or reduced, or

whether the restrictions on production should be removed. The Commission shall continue to conduct such hearings until such time as the Commission enters an order eliminating the restrictions placed on production from said field pursuant to this paragraph.

11. UNREASONABLE DISCRIMINATION PREVENTED: The production of gas in accordance with the preceding formula has a reasonable relation to prevention of waste, to the prevention of inequitable and unfair production of gas from the common source of supply, and to the prevention of unreasonable discrimination in favor of one producer in said pool and against another producer therein; production of gas in such manner will in fact accomplish the purposes for which K.S.A., Ch. 55, Art. 7 was enacted.

12. UNDERAGE AND OVERAGE:

A. As of January 1, 2010, all accrued overage and underage on all wells in the Glick Mississippi Gas Pool shall be canceled. However, nothing in this provision shall prohibit the accumulation of overage and underage after January 1, 2010, for any wells in the Glick Mississippi Gas Pool that are subject to restrictions on production under the provisions of this Order or under the provisions of any subsequent order issued by the Commission restricting production from any well.

B. As to overage and underage accrued prior to January 1, 2010, and canceled pursuant to paragraph A of this Section, any interested party may file with the Commission an application for hearing with notice in accordance with K.A.R. 82-3-135a on or before March 31, 2010, to protest such permanent cancellation and request reinstatement of the overage or underage on a well-by-well basis. The Commission after hearing may reinstate all or part of the overage or underage and impose by Order such restrictions on future production from such well as necessary to protect correlative rights and prevent waste. If no such application is filed

pertaining to a given well on or before March 31, 2010, overage and underage accrued by such well prior to January 1, 2010, shall be deemed permanently canceled immediately thereafter without further recourse.

C. As to any restriction on allowed production imposed on a well by the provisions of this Order, as revised and amended effective January 1, 2010, or by an order of the Commission, the Commission Staff is directed to publish semi-annually the over/under status of all such wells in the Glick Mississippi Gas Pool no later than May 1 and November 1 of each year.

D. Except as otherwise provided herein, all future overage and underage shall be balanced and canceled in accordance with the provisions of K.A.R. § 82-3-133a, as amended from time to time. Overage that is not made up within the time designated in K.A.R. § 82-3-133a(c) shall subject the well and the operator to the penalties for overproduction set forth in K.A.R. § 82-3-133.

E. If an affidavit is filed with the Conservation Division of the Commission stating that additional gas must be produced from any overproduced well that is subject to restrictions on production during certain months to meet irrigation tap requirements, the production from that well may exceed the amount of gas that would otherwise be allowed under K.A.R. § 82-3-133a as a balancing mechanism for reduction of overproduction; provided, however, that such production shall not exceed 3,000 MCF during any six (6) month balancing period.

13. PRODUCTION REPORTS: The Commission shall make available to the Glick Mississippi Gas Pool operators and producers, either by a published report or via an Internet website, the following information for each of the restricted wells in the field: monthly and annual production volume; the initial open flow test data; and any other information deemed

proper by the Commission. Such information shall be made available periodically, but not less than every six (6) months.

14. BASIC ORDER: This Order shall constitute the Revised Basic Order for the proration of production in the Glick Mississippi Gas Pool as of the effective date below, and until amended, changed or modified by further order of the Commission. The Commission expressly retains jurisdiction and may for good cause shown, after notice and hearing as provided by law, grant exceptions to this Order.

15. SEVERABILITY CLAUSE: If any section, clause, paragraph or part of this Order is for any reason held invalid, such decision shall not affect the validity of the remaining portion of this Order, or of this Order as a whole, and it is hereby declared to be the purpose of the Commission in promulgating this Order to promulgate the same notwithstanding any subsequent holding which invalidates any section, clause, paragraph or part thereof which is for any reason held invalid.

IT IS, THEREFORE, BY THE COMMISSION ORDERED: That the Order entered herein be and the same is hereby designated as the Revised Basic Order for the proration of production of gas from the Glick Mississippi Gas Pool; that the production of natural gas from said pool be and the same is hereby regulated and restricted in conformity with the findings hereinabove made and in compliance with the formulas, rules, regulations and other matters herein contained.

IT IS FURTHER ORDERED: That this Order takes effect and will be in force as of the 1st day of January, 2010, and shall remain in force and effect until amended, changed or modified by further order of the Commission.

The Commission hereby retains continuing jurisdiction of the subject matter herein and of the parties hereto for the purpose of issuing from time to time such further orders, amendments or rules and regulations as may be necessary and proper in the premises.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Moffet, Com., Harkins, Com.



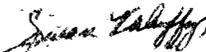
Date: NOV 03 2009

Susan K. Duffy
Executive Director

Date Mailed: 11/04/09

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

NOV 03 2009

 Executive
Director