

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF  
OKLAHOMA**

<b>APPLICANT:</b>	<b>LORI WROTENBERY,</b>	)	
	<b>DIRECTOR OF OIL AND GAS</b>	)	
	<b>CONSERVATION DIVISION</b>	)	
	<b>OKLAHOMA CORPORATION COMMISSION</b>	)	
		)	<b>CAUSE</b>
<b>RELIEF SOUGHT:</b>	<b>STATE-WIDE PRORATION</b>	)	<b>CD NO.</b>
	<b>FORMULA FOR UNALLOCATED</b>	)	<b>201002815</b>
	<b>GAS WELLS DURING</b>	)	
	<b>THE FOURTH QUARTER OF 2010 AND</b>	)	<b>ORDER NO.</b>
	<b>FIRST QUARTER OF 2011</b>	)	
		)	<b><u>578535</u></b>
		)	

**ORDER ESTABLISHING PRORATION FORMULA  
FOR THE PERIOD OF OCTOBER 1, 2010,  
THROUGH MARCH 31, 2011**

At 9:30 a.m. on August 30, 2010, the Commission en banc heard this cause in the Commission's Courtroom, Room 301, Third Floor, Jim Thorpe Building, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma. Susan Dennehy Conrad, Assistant General Counsel, Oil and Gas Conservation Division, Oklahoma Corporation Commission, appeared for the Applicant. The attached Exhibit "A" contains the additional appearance list regarding such hearing.

The Corporation Commission, being fully advised of the premises, now finds as follows:

**FINDINGS**

1. That this is the Application of Lori Wrotenbery, Director, Oil and Gas Conservation Division, Oklahoma Corporation Commission ("Commission"), to establish the proration formula for unallocated gas wells during the fourth quarter of 2010 and the first quarter of 2011.
2. The Commission has jurisdiction of the subject matter and persons. Notice was given as required by law and the rules of the Commission.
3. Authority for this Application arises under 52 O.S. Section 29 and OAC 165:10-17-11.
4. That pursuant to OAC 165:10-17-11, the Commission assigns maximum permitted rates of production for unallocated gas wells. The Commission computes allowable production on an annual basis, but it conducts semiannual hearings to adjust the proration formula used in calculating allowable production, when necessary, because of changes in market demand and to prevent waste.

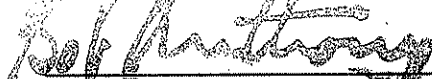
5. Certain interested parties have asked the Commission to maintain the proration formula for unallocated gas wells in the State at the same level in regard to percentage of calculated absolute open flow ("CAOF") and minimum production rate established for the prior proration period: **The greater of sixty-five percent (65%) of CAOF or 2000 mcf/d.** Written comments filed in this cause by a representative of BP America Production Company requested that the proration formula be maintained at the rate stated previously. Ms. Conrad noted that a technical conference concerning this cause occurred on August 10, 2010.
6. Mr. Duncan Woodliff, Production/Proration Manager, Oil and Gas Conservation Division of the Commission, testified that the overall demand for natural gas remains greater than the overall ability of wells in the State of Oklahoma to produce. Mr. Woodliff stated there is ample market for natural gas production in the State. Mr. Woodliff indicated the continuation of the present rate for unallocated natural gas wells would be in Oklahoma's best interest, because such regulatory policy would provide and maintain economic incentives for continued exploration and production in existing fields and incentives for new development. Likewise, Mr. Woodliff indicated that the continuation of the present proration factors would be in the State's best interest in terms of its efforts to compete effectively for national market share. Mr. Woodliff estimated that as of the end of calendar year 2009, which is the most recent complete calendar year for which production information is available, there were approximately 280 capable gas wells producing in the State of Oklahoma. Mr. Woodliff said that capable wells are those wells which can produce more than 2,000 mcf per day.
7. The Commissioners voted to approve the staff's recommendation. The Commission finds that after review of testimony of staff and the comments from interested parties, the market situation at this time supports the maintenance of the proration formula at the same level established for the prior proration period: **65% of CAOF or 2000 mcf/d, whichever is greater.** The Commission finds that the proration factors for the fourth quarter of 2010 and the first quarter of 2011 should be established at the same level set for the prior period by Order No. 574191. This rate will preserve a stable regulatory environment, maintain important incentives to the domestic petroleum industry, and encourage production to meet the nation's demand for natural gas. The Commission recognizes the importance of Oklahoma's natural gas prorationing laws; however, the present market conditions support the Commission's decision to craft a prorationing policy that will encourage production. The Commission continues to recognize the policy that the State of Oklahoma should take all reasonable steps, within its traditional regulatory structure, to ensure that the supply of natural gas from the state's common sources of supply is maximized in a fair manner, while preventing waste or production in excess of reasonable market demand.

ORDER

THEREFORE, IT IS ORDERED BY THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA AS FOLLOWS:

The proration formula for unallocated gas wells for the period of October 1, 2010, through March 31, 2011, shall be established at **sixty-five percent (65%) of wellhead absolute open flow potential or 2000 mcf/d, whichever is greater, and IT IS SO ORDERED.**

OKLAHOMA CORPORATION COMMISSION



BOB ANTHONY, CHAIRMAN



JEFF CLOUD, VICE-CHAIRMAN



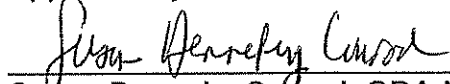
DANA L. MURPHY, COMMISSIONER

DONE AND PERFORMED THIS THE 13 DAY OF Sept., 2010.  
BY ORDER OF THE COMMISSION:



PEGGY MITCHELL, SECRETARY

Approved by:



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Oklahoma Corporation Commission  
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**Exhibit "A"**

Mr. Duncan Woodliff  
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Oil and Gas Conservation Division  
Oklahoma Corporation Commission

Mr. R. Mark Stout  
Manager, Regulatory  
Central Division  
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