

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 wellhead calculated absolute open flow ("CAOF") potential and minimum production rate established for the prior proration period: **The greater of sixty-five percent (65%) of wellhead CAOF potential 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. A public technical conference concerning this cause occurred on January 27, 2011.

6. The overall demand for natural gas remains greater than the overall ability of wells in the State of Oklahoma to produce. There is ample market for natural gas production in the State. 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. 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. 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. Capable wells are those wells which can produce more than 2,000 mcf per day.
[Testimony of Duncan Woodliff, production/proration manager, Oil and Gas Conservation Division of the Commission]

7. At the *en banc* hearing of February 23, 2011, the Commission unanimously decided to approve the staff's recommendation. A review of the entire record in this proceeding reveals that 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 wellhead CAOF potential or 2000 mcf/d, whichever is greater.** The Commission finds that the proration factors for the second and third quarters of 2011 should be established at the same level set for the prior period by Order No. 578535 (September 13, 2010). 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 April 1, 2011, through September 30, 2011, shall be established at **sixty-five percent (65%) of wellhead calculated absolute open flow potential or 2000 mcf/d, whichever is greater, and IT IS SO ORDERED.**

OKLAHOMA CORPORATION COMMISSION


DANA L. MURPHY, CHAIR


JEFF CLOUD, VICE CHAIRMAN


BOB ANTHONY, COMMISSIONER

DONE AND PERFORMED THIS THE 14 DAY OF March, 2011.
BY ORDER OF THE COMMISSION:


PEGGY MITCHELL, SECRETARY

JOYCE CONNER, Assistant Secretary
Approved by:

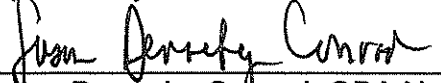

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Exhibit "A"

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