# BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT:	LORI WROTENBERY,	)
	DIRECTOR OF OIL AND GAS	) .
	CONSERVATION DIVISION	)
	OKLAHOMA CORPORATION	)
	COMMISSION	j
	•	) CAUSE
RELIEF SOUGHT:	STATE-WIDE PRORATION	) C.D. NO.
	FORMULA FOR UNALLOCATED	) 201100029
	GAS WELLS DURING THE	j
	SECOND AND THIRD	) ORDER NO.
	QUARTERS OF 2011	j <b>58352</b> 5
		<b>)</b>

# ORDER ESTABLISHING PRORATION FORMULA FOR THE PERIOD OF APRIL 1, 2011, THROUGH SEPTEMBER 30, 2011

At 9:30 a.m. on February 23, 2011, the Commission *en banc* heard this cause in the Commission's Courtroom, Third Floor, Jim Thorpe Office Building, 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 in the premises, finds as follows:

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

- 1. On January 4, 2011, Lori Wrotenbery, Director, Oil and Gas Conservation Division, Oklahoma Corporation Commission ("Commission"), filed an application to establish the proration formula for unallocated gas wells during the second and third quarters 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. 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 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 guarters 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 AND L. MURPHY, CHAIR  JEFF CLOUD, VIOE CHAIRMAN	N
BOB ANTHONY, COMMISSIONER	
DOD ANTITION 1, COMMISSIONER	
DONE AND PERFORMED THIS THE 14 DAY OF March, 2011. BY ORDER OF THE COMMISSION:	
Joya Conner	
PEGCY MITCHELL, SECRETARY	
JOYCE CONNER, Assistant Secretary	
Approved by:	
Juan Densety Conva	
Susan Dennehy Cohrad, OBA No. 12249	
Assistant General Counsel	

Oklahoma Corporation Commission

Jim Thorpe Office Building 2101 North Lincoln Boulevard Oklahoma City, OK 73105 Telephone: (405) 521-3939 Email: s.conrad@occemail.com

Facsimile: (405) 521-4150 Attorney for Applicant

#### Exhibit "A"

Mr. Duncan Woodliff Production/Proration Manager, Technical Services Dept. Oil and Gas Conservation Division Oklahoma Corporation Commission

Mr. R. Mark Stout Manager, Regulatory Central Division Devon Energy Production Company, L.P. 20 North Broadway Oklahoma City, OK 73102

Mr. Robert A. Miller 4101 Perimeter Center Drive, Suite 200 Oklahoma City, OK 73112