

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: TIM BAKER)
DIRECTOR OF OIL AND GAS)
CONSERVATION DIVISION)
OKLAHOMA CORPORATION COMMISSION)
RELIEF SOUGHT: STATEWIDE PRORATION) CAUSE
FORMULA FOR UNALLOCATED) C.D. NO.
GAS WELLS FOR THE PERIOD OF) 201704394
OCTOBER, 2017, THROUGH SEPTEMBER, 2018)
) ORDER NO.
) 666999

ORDER ESTABLISHING PRORATION FORMULA
FOR THE PERIOD OF OCTOBER 1, 2017,
THROUGH SEPTEMBER 30, 2018

At 9:30 a.m. on August 15, 2017, the Commission heard this cause in the Commission's Courtroom, Third Floor, Jim Thorpe Office Building, Oklahoma City, Oklahoma. Susan Dennehy Conrad, Deputy General Counsel, Oil and Gas Conservation Division, Oklahoma Corporation Commission, appeared for the Applicant.

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

FINDINGS OF FACT AND CONCLUSIONS OF LAW

- 1. On July 6, 2017, Tim Baker, Director, Oil and Gas Conservation Division, Oklahoma Corporation Commission ("Commission"), filed an application to establish the proration formula for unallocated gas wells for the period of October 1, 2017, through September 30, 2018.
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, and it conducts annual hearings to adjust the proration formula used in calculating allowable production, when necessary, because of changes in market demand and to prevent waste.

5. 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. It should also be noted that ever-increasing numbers of multiunit wells are now being drilled in some of the higher-producing areas of the state. From a production/proration point of view, these wells are the statistical equivalent of separate per-unit wells, so in an attempt to maintain consistency and minimize skewing of aggregate well data, multiunit wells will be counted and evaluated as separate wells for each of the units into which they were drilled and completed. Using this methodology, as of the end of calendar year 2016, there were approximately 351 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]

6. At the hearing of August 15, 2017, the Commission 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 period of October 1, 2017, through September 30, 2018, should be established at the same level set for the prior period by Order No. 655262 (August 16, 2016). 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, 2017, through September 30, 2018, 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. The OCC production/proration staff will continue to review this multi-unit allocation method for possible modification in future proration causes.

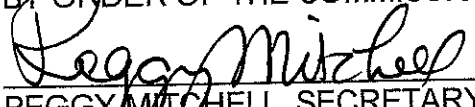
OKLAHOMA CORPORATION COMMISSION


DANA L. MURPHY, CHAIRMAN

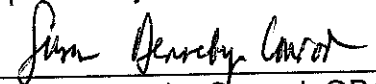

J. TODD HIATT, VICE-CHAIRMAN


BOB ANTHONY, COMMISSIONER

DONE AND PERFORMED THIS THE 15th DAY OF August, 2017.
BY ORDER OF THE COMMISSION:


PEGGY MITCHELL, SECRETARY

Approved by:


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