

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

|  |   |                      |
|--|---|----------------------|
| <b>APPLICANT: TRIAD ENERGY, INC.</b>   | ) | <b>CAUSE CD NO.</b>  |
|  | ) |                      |
| <b>RELIEF SOUGHT: DRILLING AND SPACING UNITS</b>   | ) | <b>201002847</b>     |
|  | ) |                      |
| <b>LEGAL DESCRIPTION: SECTION 7 AND SECTION 8,<br/>T2N, R3W, GARVIN COUNTY, OKLAHOMA</b> | ) | <b>ORDER NO.</b>     |
|  | ) | <b><u>578700</u></b> |

**ORDER OF THE COMMISSION**

This Cause came on for hearing before Michael Norris, Administrative Law Judge for the Oklahoma Corporation Commission, on the 9th day of August, 2010, at 8:30 a.m., Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony, and reporting findings and recommendations to the Commission. Russell James Walker, Attorney, appeared for the Applicant, Triad Energy, Inc. Roger Grove, Attorney, appeared for Citation Oil & Gas Corp. On the 2nd day of September, 2010, the Addministrative Law Judge re-opened the hearing of the Cause *sua sponte* for the purpose of accepting into the record waivers of notice and entries of appearance from Vicki Rodriguez, Kathryn Holland, F.M. Porter, LLC, and Ross W. Coe, Jr. Trust U/T/A Dated 11/21/95, Citizens Bank & Trust Company, Trustee. Thereafter, the Administrative Law Judge filed a report with the Commission, which report has been considered, and the Commission therefore finds as follows:

**FINDINGS**

1. That this is the Application of Triad Energy, Inc., for an Order (i) establishing 640-acre drilling and spacing units for the production of predominately gas from the Hoxbar, Deese Sand, Upper Dornick Hills, Morrow Sand, and Springer Sand common sources of supply by extending the purview of Order No. 195312 from Section 12, T2N, R4W, Stephens County, Oklahoma to include Sections 7 and 8, T2N, R3W, Garvin County, Oklahoma and for the Sycamore, Woodford, and Hunton common sources of supply underlying Sections 7 and 8, and (ii) vacating (A) Order No. 32945 insofar as it created 40-acre drilling and spacing units for the Lyndsay Deese Sands common source of supply in Sections 7 and 8 and (B) Order No. 31231 and (C) Order No. 38686, insofar as they created 40-acre drilling and spacing units for the Lower Springer Sand common source of supply in Sections 7 and 8, all in T2N, R3W, Garvin County, Oklahoma.

2. That the Commission has jurisdiction over the subject matter herein; the Affidavit for publication service filed herein reflects the identity of all parties subject hereto, whether addresses are known or unknown; the Commission has made an inquiry into the factual issues of due diligence and an adjudicative inquiry into the sufficiency of the search to ascertain the whereabouts of parties served solely by publication and finds that a meaningful search has been made of the reasonably available sources to ascertain the whereabouts of those parties whose addresses are unknown and finds that the process was proper and that due diligence has been exercised; notice has been given to all parties in all respects as required by law and by orders, rules, and regulations of the Commission. The Applicant owns an oil and gas interest in the area covered by the Application.

3. That the land covered by this Order lies immediately southwest of a northwest/southeast trending regional fault which separates geologic formations on its northeast side from equivalent formations on its southwest side. While the formations on the fault's northeast side are productive of oil, the formations on the southwest side are productive of gas. This is demonstrated by the Wright Anna #1-2

well located in W/2 NE/4 SW/4 SW/4 Section 2, T2N, R4W, Stephens County, Oklahoma, which has a gas/oil ratio of 154,864:1 and will drain 640 acres of reservoir. Thus, 640-acre drilling and spacing units should be created and 40-acre drilling and spacing units vacated.

4. That each drilling and spacing unit established should be the proration unit for the well authorized to be drilled thereon; each actual or prospective common source of supply, named below, reasonably will underlie the lands as shown in Order below and is expected to be encountered at the depths shown; each common source of supply should be classified, with drilling and spacing units and well locations established, as follows:

| <u>Common Source<br/>of Supply</u> | <u>Classification<br/>and Depth</u> | <u>Unit Size<br/>(Acres)</u> | <u>Well Location</u>  |
|------------------------------------|-------------------------------------|------------------------------|---|
| Hoxbar                             | Predominately Gas – 5,700'          | 640                          | Not closer than 1,320'<br>to the unit boundary.<br>"<br>"<br>"<br>"<br>"<br>" |
| Deese Sand                         | Predominately Gas – 7,700'          | 640                          |   |
| Upper Dornick Hills                | Predominately Gas – 9,000'          | 640                          |   |
| Morrow Sand                        | Predominately Gas – 9,350'          | 640                          |   |
| Springer Sand                      | Predominately Gas – 9,750'          | 640                          |   |
| Sycamore                           | Predominately Gas – 11,500'         | 640                          |   |
| Woodford                           | Predominately Gas – 11,700'         | 640                          |   |
| Hunton                             | Predominately Gas – 11,900'         | 640                          |   |

5. That one well is authorized to be drilled on each drilling and spacing unit; the one well authorized for each drilling and spacing unit is necessary effectively and efficiently to drain the portion of the common source of supply underlying the drilling and spacing unit upon which the one well is situated; the portion of the common source of supply attributed to each unit can be or will be effectively and efficiently drained by the well on each drilling and spacing unit; each common source of supply is a natural accumulation of natural gas, oil, or both, as classified in Order below, which is confined by impermeable rock and characterized by a single natural pressure system.

6. That to prevent or assist in preventing the various types of waste prohibited by statute or any of said wastes or to protect or assist in protecting the correlative rights of interested parties, it is required that the Commission establish drilling and spacing units and well locations as set out under Order below.

**ORDER**

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That each drilling and spacing unit established shall be the proration unit for the one well authorized to be drilled and produced thereon; drilling and spacing units be and the same are hereby established as follows for the:

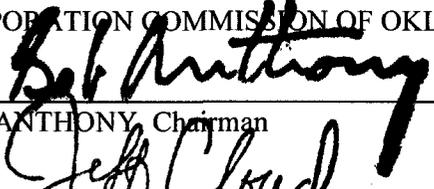
| Common Source<br>of Supply   | Classification<br>and Depth | Drilling and Spacing<br>Unit Size |
|--|-----------------------------|-----------------------------------|
| Hoxbar   | Predominately Gas – 5,700'  | 640 acres                         |
| Deese Sand   | Predominately Gas – 7,700'  | 640 acres                         |
| Upper Dornick Hills  | Predominately Gas – 9,000'  | 640 acres                         |
| Morrow Sand  | Predominately Gas – 9,350'  | 640 acres                         |
| Springer Sand  | Predominately Gas – 9,750'  | 640 acres                         |
| by extending the purview of Order No. 195312 from Section 12, T2N, R4W, Stephens County, to include Sections 7 and 8, T2N, R3W, Garvin County; and for the |                             |                                   |
| Sycamore   | Predominately Gas – 11,500' | 640 acres                         |
| Woodford   | Predominately Gas – 11,700' | 640 acres                         |
| Hunton   | Predominately Gas – 11,900' | 640 acres                         |

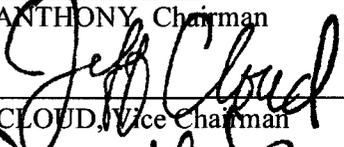
underlying Sections 7 and 8, T2N, R3W, Garvin County, Oklahoma; Order No. 32945 is vacated insofar as it created 40-acre drilling and spacing units for the Lyndsay Deese Sands common source of supply in Sections 7 and 8; and Orders No. 31231 and 38686 are vacated insofar as they created 40-acre drilling and spacing units for the Lower Springer Sand common source of supply in Sections 7 and 8, all in T2N, R3W, Garvin County, Oklahoma.

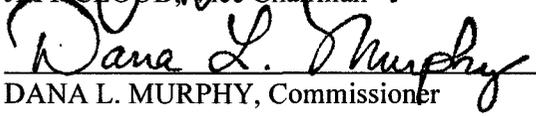
2. That the drilling and spacing units shall be governmental sections.
3. That each well hereafter drilled on each drilling and spacing unit must be drilled not closer than 1,320 feet to the unit boundary.
4. That, when there are two (2) or more separately owned tracts or undivided interests separately owned within any drilling and spacing unit, the owners thereof may validly pool their interests and develop the drilling and spacing unit as a unit; where, however, such owners have not agreed so to pool their interests and to develop the drilling and spacing unit as a unit, subject to the laws and regulations of the United States of America dealing with restricted Indians, their rights and equities shall be pooled and adjudicated as provided in subsection e, Section 87.1, Title 52, Okl. Stat., as amended.
5. That, for the purposes of this Order, the owner or owners of oil and gas rights in and under a tract of land within the drilling and spacing unit not subject to an oil and gas lease shall be regarded as a lessee to the extent of a seven-eighths (7/8ths) interest in and to said oil and gas rights and a lessor to the extent of the remaining one-eighth (1/8th) interest therein.
6. That no more than one (1) well shall hereafter be produced from the common sources of supply named above on any drilling and spacing unit established hereby, and the permitted well on any drilling and spacing unit established hereby shall be drilled only at the location thereon as prescribed above, unless the Commission, prior to the drilling of said well, shall have authorized a well location exception therefor in accordance with Section 87.1, Title 52, Okl. Stat., as amended.

7. That attached and a part hereof as Exhibit "A," is a plat of the drilling and spacing units established by this Order and the permitted well locations therefor.

CORPORATION COMMISSION OF OKLAHOMA

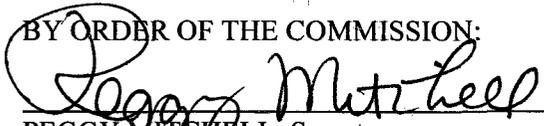
  
BOB ANTHONY, Chairman

  
JEFF CLOUD, Vice Chairman

  
DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 17 day of September, 2010.

BY ORDER OF THE COMMISSION:

  
PEGGY MITCHELL, Secretary

**REPORT OF THE ADMINISTRATIVE LAW JUDGE**

The foregoing findings and order are the report and recommendations of the Administrative Law Judge.

Approved:

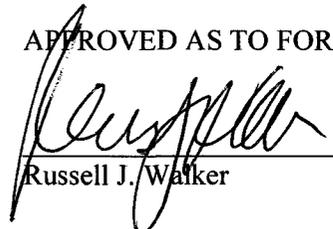
  
Michael Norris  
Administrative Law Judge

9-10-10  
Date

  
Virginia Helling  
Technical Review

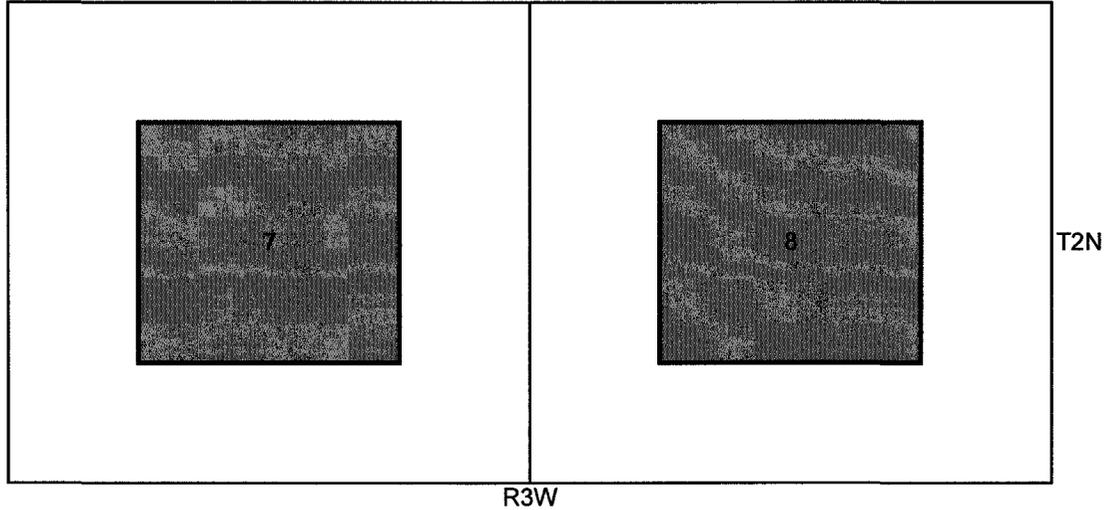
9-15-10  
Date

APPROVED AS TO FORM:

  
Russell J. Walker

**TRIAD ENERGY, INC.**  
**CAUSE CD NO. 201002847**

**EXHIBIT "A"**  
**Sections 7 and 8, T2N, R3W,**  
**Garvin County, Oklahoma**



Hoxbar, Deese Sand, Upper Dornick Hills, Morrow Sand, Springer Sand,  
Sycamore, Woodford, and Hunton common sources of supply

640-acre drilling and spacing units

Well pattern: not closer than 1,320' to the unit boundary