BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT:  R. J. SULLIVAN dba SULLIVAN AND COMPANY

IN THE MATTER OF APPROVING THE UNITIZED MANAGEMENT, OPERATION, AND FURTHER DEVELOPMENT, BY ENHANCED RECOVERY OPERATIONS, FOR THE OSWEGO LIMESTONE ZONE IN THE NORTHWEST LAWRIE OSWEGO UNIT.

LEGAL DESCRIPTION:  E/2 SE/4 SECTION 23; SW/4 SECTION 24; NW/4 AND S/2 SECTION 25; E/2 E/2 SECTION 26; E/2 NE/4, SE/4, AND E/2 SW/4 SECTION 35, SECTION 36, T18N, R3W, AND N/2, SW/4, AND NW/4 SE/4 SECTION 31, T18N, R2W, ALL IN LOGAN COUNTY, OKLAHOMA.

CAUSE CD NO. 960002048
ORDER NO. 403591

REPORT OF THE COMMISSION

This Cause came on for hearing before Dana L. Murphy, Administrative Law Judge for the Corporation Commission of Oklahoma, on the 15th day of July, 1996, 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.

Barth P. Walker, Attorney, appeared for the Applicant, R J. Sullivan dba Sullivan and Company; Michael Decker, Deputy General Counsel for Conservation, filed an entry of appearance for the Commission.

The Administrative Law Judge heard the Cause on that date and filed a report recommending the Application be granted, which report and recommendation are hereby adopted and the Commission therefore finds as follows:

FINDINGS

1. Pursuant to Title 52 O S, 1991, Sections 287.1 to 287.15, both inclusive, and all amendments thereto, this is the Application of R. J. Sullivan dba Sullivan and Company requesting that the Commission issue an Order approving the unitized management, operation, and further development by enhanced recovery operations of the Oswego Limestone Zone common source of supply in the Northwest Lawrie Oswego Unit in E/2 SE/4 Section 23, SW/4 Section 24; NW/4 and S/2 Section 25; E/2 E/2 Section 26; E/2 NE/4, SE/4, and E/2 SW/4 Section 35; Section 36, T18N, R3W, and N/2, SW/4, and NW/4 SE/4 Section 31, T18N, R2W, all in Logan County, Oklahoma Pursuant to 165 O.A.C. 10-5-4, Applicant further seeks approval of the proposed operation as an approved enhanced recovery project.

2. The Commission has jurisdiction over the subject matter herein; notice has been given to all parties in all respects as required by law and by orders, rules, and regulations of the Commission; 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. The Applicant owns an oil and gas interest in the area covered by the Application.

3. The Applicant is named by the Plan to be the operator of the Unit. The proposed Plan has been submitted to both Lessees and Royalty owners of record shown on Exhibit "A" to the Application herein. That 82.110% of the owners of record of the normal 1/8th royalty, excluding any normal 1/8th royalty owned by a Lessee or a subsidiary of a Lessee, on a surface-acre basis
have signed or ratified the Plan, and 91.385% of the Lessees of record on a surface-acre basis have
signed or ratified the Plan; therefore, a final order can be issued in this Cause

4. The Plan satisfies the statutory requirements as to matters required to be contained
therein. The effective date of the Plan will be as noted in a Certificate of Effectiveness to be filed
with the Commission and in the land records in the county where the Unit Area is situated.

5. As demonstrated by actual drilling operations, the area covered by the proposed
Unit Area is substantially underlain by the Oswego Limestone Zone which is a common source of
supply within the Unit Area and is favorable, geologically, to enhanced recovery by waterflooding
or other joint enhanced recovery methods. From geological and reservoir energy standpoints,
unitization is needed at this time as the common source of supply has been substantially depleted.

6. Unit operations are necessary because enhanced recovery operations will prevent
waste, increase ultimate recovery, and protect correlative rights. The Oswego Limestone Zone
common source of supply primary production is at its economic limit with only a limited number of
barrels of primary oil estimated to be recoverable. With enhanced recovery, the incremental
recovery of oil over and above recovery from primary operations could equal approximately
750,000 barrels of oil which is found by the Commission to be a substantial quantity of oil
produceable over and above the expected primary. The cost of the enhanced recovery operations
will not exceed the value of the oil recovered as a result of such operations. It is estimated that the
oil ultimately recovered should have a gross value of an estimated $13,770,660 which is
substantially in excess of the additional costs attributed to investment for enhanced recovery
operations and is estimated to result in a Net Operating Income of about $7,413,110 before
accounting for Pre-Unitization Expenses and anticipated development costs. The result of the
enhanced recovery operations will be for the common good and the general advantage of the
owners because primary production is at the economic limit and, if enhanced recovery operations
are successful, all those sharing or participating in production from the Unit Area will benefit
therefrom. None of the common source of supply to be unitized is an allocated pool.

7. The basis for allocating Unit Production to the separate tracts is the participation
percentages as shown on Exhibit "A" to the Plan and that basis for allocating Unit Production to
and among the separately owned tracts will apportion to each tract such tract's fair, reasonable,
and equitable share of the Unit Production. In arriving at the basis for participation in Unit
Production an allocation formula was derived by giving weight and consideration to acreage,
quantity of oil and gas recoverable by other than enhanced recovery operations, value of each tract
for oil and gas producing purposes, burden of operations, and other geological, engineering and
scientific factors deemed applicable to the Oswego Limestone Zone common source of supply; the
basis used for allocating Unit Production is found to be reasonable and will result in an equitable
apportionment of Unit Production to and among the Separately Owned Tracts. That operations
by enhanced recovery pursuant to the Plan is necessary substantially to increase the ultimate
recovery of hydrocarbons from the Oswego Limestone Zone common source of supply, to protect
correlative rights, and to prevent waste.

8. The Unitized Formation to which Applicant proposes for unitized management,
operation, and further development is defined as the Oswego Limestone Zone common source of
supply in the correlative stratigraphic interval found at a subsurface depth of from 5,160 feet to
5,220 feet in the Southern Exploration's Branch No. 1 Well the SE/4 NW/4 in Section 36, T18N,
R3W, Logan County, Oklahoma, as the said Oswego Limestone Zone underlies the lands
described in Paragraph 4 of the "Order" portion hereof, which said lands are delineated upon the
plat which is attached hereto as Exhibit "A".

9. Applicant, the named Operator in the Plan, has represented that operations will be
conducted in accordance with the orders, rules, and regulations of the Commission and that all
reasonable efforts will be undertaken to assure that the proposed operations comport with
operator duties and responsibilities as generally imposed by such orders, rules, and regulations and
reasonably prudent operator standards.
10. The injection medium to be used is salt water produced from supply sources in the area and the injection rate per injection well is expected to approximate about 2,000 barrels of water per day per well. New injection wells may be drilled. No proposed injection well will be used for that purpose without the well's first having been approved as required by the standards prescribed by the Commission. The description of the proposed casing program for all injection wells and in all regards comports with the requirements of 165 O.A.C. 10-3-4 and 165 O.A.C. 10-5-4.

CONCLUSIONS

11. The Oswego Limestone Zone described as before said is a common source of supply within the Unit Area.

12. The unitized management, operation, and further development of the Unit and Unit Area are reasonably necessary in order effectively to carry on pressure maintenance or repressuring operations or waterflooding operations or any combination thereof or any other form of joint effort calculated substantially to increase the ultimate recovery of oil and gas from the Oswego Limestone Zone common source of supply over and above that ultimate recovery which will otherwise be recovered by continuing primary production operations only. The estimated additional cost of conducting such operations will not exceed the value of the additional oil and gas so recovered. Substantial quantities of oil will be recovered from said common source of supply under the unitized methods of operations contemplated, and such amounts will be unrecovered otherwise.

13. The proposed Unit Area is shown on Exhibit "A" hereto, which is also a part of the Plan. The Unit Area and the adoption of one or more unitized methods of operation with respect to same are for the common good and will result in the general advantage to the owners of the oil and gas rights within the Oswego Limestone Zone common sources of supply.

14. The size and shape of the Unit Area are such as are reasonably required for the successful and efficient conduct of the unitized methods of operation for which such Unit is created, the Unit and the conduct of unitized operations pursuant to the Plan will have no material adverse effect upon the Oswego Limestone Zone or other common sources of supply, if any, within or without the Unit Area.

15. The Plan presented to the Commission for approval should be made a part hereof by reference thereto and is suited to the needs and requirements of the Unit Area and the Unit designated in said Plan.

16. The Plan for enhanced recovery by waterflooding should be approved as waterflooding can be conducted without the probability of pollution and enhanced recovery operations by other methods, when approved by the Operating Committee created by the Plan, may be undertaken.

17. The Application and the Plan with respect to the Unit, the Unit Area, and the Oswego Limestone Zone common source of supply as presented for approval conform to and comply, in all respects, with the requirements of Title 52 O.S., 1991, Sections 287.1 to 287.15, and all amendments thereto. The Plan has been accepted, signed, or ratified by a surface acreage basis by more than sixty-three percent (63%), excluding normal 1/8th royalty owned by Lessees or subsidiaries of Lessees, of the owners of the normal 1/8 royalty and of the lessees of record within the Unit Area.

18. This Order and the Plan of Unitization approved hereby should supersede Oswego Limestone Zone drilling and spacing units, if any, within the Unit Area particularly as to prescribed well locations and such drilling and spacing units heretofore established and other conflicting drilling and spacing units are superseded until such time as the Plan and Unit are dissolved in accordance with the terms of the Plan.

19. The injection medium to be used is salt water from sources in the Area. New injection wells may be drilled. No proposed injection well will be used for that purpose without the well's first having been approved as required by the standards prescribed by the Commission.
description of the proposed casing program for all injection wells as submitted herein, in all
regards, comports with the requirements of 165 O.A.C. 10-3-4 and 165 O.A.C. 10-5-4.

20 The Application herein is supported by substantial evidence, and the Plan complies
with the applicable statutes and rules. Therefore, in order to secure the greatest ultimate recovery
of oil from the Oswego Limestone Zone common source of supply covered by said Plan, to prevent
waste, and to protect correlative rights, this Application should be granted. The Plan should be
approved and should be made effective as required by law and the Plan, and the Commission has
so found.

ORDER

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

1. The Application filed in this Cause should be and the same is hereby granted, the
Plan of Unitization for the Oswego Limestone Zone common source of supply is approved, and
enhanced recovery operations in the Northwest Lawrie Oswego Unit are authorized.

2. The creation of the Unit is hereby approved, all in accordance with, upon, and
subject to the terms, provisions, and conditions of the Plan.

3. The Plan presented to the Commission for approval in this Cause is made a part of
this Order by reference thereto and, as so referenced, is hereby approved, and such Plan shall
constitute the only Plan in and for the Unit Area, shown on Exhibit "A" hereto and for the Oswego
Limestone Zone common source of supply, all to the same extent and with the same force and
effect as if copied herein in its entirety.

4. Each of the Separately Owned Tracts within the Unit Area is subject to the terms
and provisions of the Plan. Participation in the Unit Production from the Unit Area and in the
other benefits and the sharing of the burden of the Unit as imposed upon each Separately Owned
Tract by the Plan, shall be in accordance with the terms and provisions of the Plan incorporated
herein. The Unit Area covered by said Plan and this Order is as follows (plat attached as Exhibit
"A"):

LEGAL DESCRIPTION. E/2 SE/4 Section 23; SW/4 Section 24;
NW/4 and S/2 Section 25; E/2 E/2 Section 26; E/2 NE/4, SE/4, and
E/2 SW/4 Section 35, Section 36, T18N, R3W, and N/2, SW/4, and
NW/4 SE/4 Section 31, T18N, R2W, all in Logan County, Oklahoma

5. The Unit Operator in accordance with the Plan and until replaced in accordance
with the Plan, shall be:

R. J. Sullivan dba
Sullivan and Company
First Place Tower, Suite 3030
15 East Fifth Street
Tulsa, OK 74103-4356.

The Unit and Unit Operator, from time to time, shall make such reports to the Commission
concerning the operation of the Unit as may be requested by the Commission.

6. For so long as the Unit is in effect, the terms and provisions of the Plan and this
Order shall supersede, for all purposes of the Plan and this Order, the operative effect of each
drilling and spacing unit order heretofore entered by the Commission particularly with respect to
prescribed well locations for the Oswego Limestone Zone common source of supply within the
Unit Area or any portion thereof.
7. The proposed enhanced recovery operations should be and hereby are approved pursuant to 165 O.A.C. 10-5-4, but before injection commences in any injection well the well must have first been approved pursuant to requirements of 165 O.A.C. 10-5-4.

8. The Commission retains jurisdiction over the Unit for the purpose of amending, modifying, and interpreting the terms and provisions of this Order and the Plan; the unit shall become effective as set forth in the Certificate of Effectiveness which must be filed in the County land records and with this Commission; when Unit Operations are terminated and the Unit is dissolved, notice thereof will be filed with the Secretary of the Commission, the Conservation Department of the Commission and in the County land records.

COURPORATION COMMISSION OF OKLAHOMA

CODY L. GRAVES, Chairman

ED APPLE, Commissioner

BOB ANTHONY, Vice-Chairman

DONE AND PERFORMED this 19th day of July, 1996.

BY ORDER OF THE COMMISSION:

CHARLOTTE W. FLANAGAN, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

Approved:

Dana L. Murphy
Administrative Law Judge

Technical Review

7/18/96
Date

7-18-96
Date