

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

APPLICANT: CONTINENTAL RESOURCES, INC.

RELIEF SOUGHT: LOCATION EXCEPTION

**LEGAL DESCRIPTION: SECTIONS 35 AND 26,
TOWNSHIP 17 NORTH, RANGE 11 WEST,
BLAINE COUNTY, OKLAHOMA**

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) **CAUSE CD NO.**
) **201602091**
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FILED
JUN 15 2016

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**ORAL REPORT OF THE ADMINISTRATIVE LAW JUDGE
IN RESPONSE TO APPLICATION FOR EMERGENCY ORDER**

The Emergency Application came on for hearing before **Michael L. Decker**, Administrative Law Judge, Monday, June 13, 2016, on the Oil and Gas Conservation Motion Docket in Courtroom C, Jim Thorpe Building, Western Regional Service Office, Oklahoma Corporation Commission, Oklahoma City, Oklahoma. At the time of the hearing, **David E. Pepper**, attorney, appeared for Continental Resources, Inc., (Continental or Applicant); and **Robert A. Miller**, attorney, appeared for Marathon Oil Co., L.L.C. (Marathon or Protestant).

**SUMMARY OF THE ORAL RECOMMENDATION
OF THE ADMINISTRATIVE LAW JUDGE
IN RESPONSE TO THE EMERGENCY APPLICATION**

1. On Monday, June 13, 2016, the Emergency Application of Continental for a Well Location Exception in Section 35 and 26, 17N-11W, Blaine County, Oklahoma, was heard as a protest and taken under advisement on the Motion Docket in Oklahoma City. The protest was presented by Marathon, a working interest owner of 50% of the mineral rights in Section 35, which amounts to 25% of the working interest in the total of the two (2) affected spacing units covered by the well location exception application.

2. After consideration of the testimony of witnesses, the four (4) exhibits presented in the hearing, the arguments of counsel, and the review of companion applications impacting the development of multiunit horizontal wells targeted for the Mississippi (Meramec member with shale qualities), Springer, and Woodford common sources of supply underlying the affected spacing units, it is the recommendation of the Administrative

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Law Judge that the Emergency Application of Continental should be denied at this time.

3. The Continental application in the instant cause, as well as the other companion applications covering multiunit horizontal well development in Sections 35 and 26, 17N-11W, Blaine County, Oklahoma, are governed by the provisions of OKLA. STAT., tit. 52 Sections 87.1 and 87.8; the second statute being part of the *Shale Reservoir Development Act of 2011*. Additionally, the applications are governed by the provisions of Oklahoma Corporation Commission Rules of Practice, OAC 165:5-7-6.2 and 165:5-7-9, which concern applications for multiunit horizontal wells and well location exceptions. Also, the development of multiunit horizontal wells in Sections 35 and 26, 17N-11W, is impacted by the *Order Granting Motion to Consolidate*, Order 650941 (March 17, 2016). Order 650941 consolidated for hearing several applications filed by Continental and Marathon concerning the development of multiunit horizontal wells targeted to test the three (3) common sources of supply listed above in Paragraph 2 for the two (2) affected spacing units.

4. The applications covered by Order 650941 include four (4) applications of Continental, which were presented to two (2) separate Administrative Law Judges in Oklahoma City on April 13, 2016 and April 18, 2016, respectively. The hearings occurred as a result of a protest regarding the applications consolidated by Order 650941, which were reportedly settled between Continental and Marathon at the time in April 2016. The four (4) companion applications presented as unopposed causes are the *Application of Continental Resources, Inc.*, CD 201600605, Requesting a Multiunit Horizontal Well Order and the *Application of Continental Resources, Inc.*, and CD 201600607, Requesting a Well Location Exception Order, both affecting Sections 35 and 26, 17N-11W, Blaine County, Oklahoma; the *Application of Continental Resources, Inc.*, CD 201600603, Requesting a Forced Pooling Order, affecting Section 26, 17N-11W, Blaine County, Oklahoma; and the *Application of Continental Resources, Inc.*, CD 201506260, Requesting a Forced Pooling Order, affecting Section 35, 17N-11W, Blaine County, Oklahoma.

The hearings in CD 201600605 and CD 201600607 were combined for testimony before ALJ Paul Porter on an unopposed basis on April 13, 2016. ALJ Porter recommended the applications for issuance of Interim Orders, with a proposed reopening date of March 3, 2017. The Interim Orders have not issued as of June 15, 2016 and the applications remain

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pending at this time. The hearings in CD 201506260 and CD 201600603 were combined for testimony before ALJ Michael Norris on an unopposed basis on April 18, 2016. The applications were recommended for final Forced Pooling Orders, which have not been issued as of June 15, 2016. The applications remain pending as of this date.

5. The instant well location exception application in CD 201602091 requests an order for a multiunit horizontal well testing the Mississippi, Springer, and Woodford common sources of supply underlying Sections 35 and 26, 17N-11W, Blaine County, Oklahoma, at a well location different in terms of the proposed surface location, perforations, completion interval, and ultimate bottom hole location affecting the subject formations, compared to the well location proposed in CD 201600605 and CD 201600607, heard on April 13, 2016, and recommended for Interim Orders. (CD 201602091 provides: surface location: no closer than 260 FNL and 389 FEL of Section 3, 17N-11W; first perforations: no closer than 150 FSL and 330 FWL of Section 35, 17N-11W; and last perforations: no closer than 150 FNL and 330 FWL of Section 26, 17N-11W.) Likewise, the well location exception covered by the instant application is different from the location proposed for a multiunit horizontal well for Section 35, 17N-11W, in CD 201506260. This application was recommended for a final Forced Pooling Order for Section 35, 17N-11W, affecting the correlative rights of Marathon, the only respondent to the cause, presented on an unopposed basis to ALJ Norris on April 18, 2016.

Again, as of June 15, 2016, none of the orders stemming from the hearings in the companion applications affecting the development of multiunit horizontal wells targeted for the subject common sources of supply below Sections 35 and 26, 17N-11, Blaine County, Oklahoma, have been issued by the Commission. The applications remain pending at this time.

6. The well location exception proposed in the unopposed hearing in CD 201600605 and CD 201600607, covered a single multiunit horizontal well in Sections 35 and 26, 17N-11, at a surface location in the E/2 of Section 35, 200 FSL and 1650 FEL of 35, with a bottom hole location proposed no closer than 330 FEL of Sections 35 and 26. The map attached to the application in CD 201600605, requesting an order for one multiunit horizontal well affecting the subject formations, shows a

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well path 1650 FEL of Sections 35 and 26. Also, Exhibits 1 and 2 presented at the April 13, 2016, hearing show one multiunit horizontal well projected for a 1650 FEL well path in Sections 35 and 26. The same well path (located 1650 FEL of Sections 35 and 26, 17N-11W) was presented to ALJ Porter to be incorporated in the Interim Order for the well location exception combined with CD 201600605.

7. The well location exception proposed to Marathon in CD 201506260, and presented in evidence to ALJ Norris on an unprotested basis on April 18, 2016, was shown on the Exhibit 1 AFE at a surface location 200 FSL and 1650 FWL of Section 35, 17N-11W, with projected bottom hole location 50 FNL and 1650 FWL of Section 26, 17N-11W. No orders in the Forced Pooling applications recommended by ALJ Norris on April 18, 2016, have issued as of June 15, 2016.

8. The statute, OKLA. STAT., tit. 52, Section 87.8(B)(4)(a. and b.) requires the application for a multiunit horizontal well order to provide: (1) "[T]he approximate anticipated location of the proposed multiunit horizontal well or wells", and (2) "[A] map or maps indicating the location of each existing well in each affected unit . . . and the anticipated location of each multiunit horizontal well currently proposed to be drilled in each affected unit . . . and any other horizontal well not included in the current application, but anticipated to be necessary, based upon the information and knowledge then available to the applicant for the full and efficient development and operations of the targeted reservoir . . ." Further, OAC 165:5-7-6.2(c) provides the application for a multiunit horizontal well shall contain: "(4) The information required by 52 O.S. [Section] 87.8(B)(4) . . ." and "(6) Reference to any companion application, identified by the type of requested relief, such as any application for spacing for location exception, for increased density, for pooling, . . . if such companion application is filed in conjunction with or is pending at the time of filing of the application for multiunit horizontal well(s). . . ."

9. It is unclear if the well location exception proposed in CD 201602091 is the single multiunit horizontal well covered by CD 201600605, which remains pending as of June 15, 2016, or is intended to be an increased density well to test the Mississippi (Meramec member) underlying Sections 35 and 26, 17N-11W, Blaine County, Oklahoma. Before any action is taken on an Emergency Application pursuant to CD 201602091, Continental should be required to rectify the uncertainty about the development of multiunit horizontal wells planned for Sections

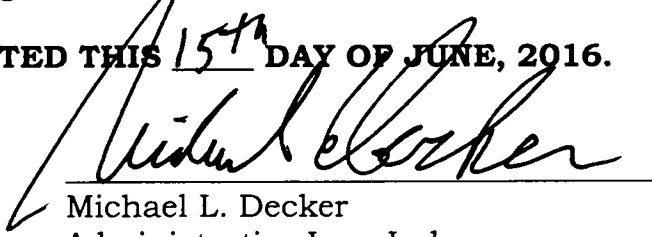
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35 and 26, 17N-11W, Blaine County, Oklahoma. The application in CD 201600605 either needs to be reopened and amended to provide an amended map and other required information regarding the locations of the well or wells proposed to be drilled in the affected spacing units, or increased density applications for Sections 35 and 26, 17N-11W, Blaine County, Oklahoma, should be filed to authorize additional multiunit horizontal wells in the affected units to test the targeted common sources of supply.

10. Correspondingly, Marathon perhaps should consider whether it should move to reopen CD 201506260 and CD 201600603, so that the forced pooling applications can be clarified as to the location of the well for Sections 35 and 26, 17N-11W, Blaine County, Oklahoma, proposed by the AFE submitted into evidence on April 18, 2016. Since Marathon is the only respondent to CD 201506260, it is essential for the protection of its correlative rights in Section 35, 17N-11W, that the circumstances be clarified in the record of CD 201506260 regarding the location of the proposed well, in which Marathon will be required to elect participation under the pooling order.

11. The confusion that exists in the instant matter impacting multiunit horizontal well development in Sections 35 and 26, 17N-11W, Blaine County, Oklahoma, is partly created by the failure of Continental to complete the processing of Interim Orders for CD 201600605 and CD 201600607, as well as Forced Pooling Orders in CD 201506260 and CD 201600603. Additionally, Continental's failure to effectively communicate with Marathon, the only respondent to CD 201506260, regarding the well location proposed in CD 201602091 exacerbated the facts, which Continental contends support its present Emergency Application. To the extent that the housekeeping issues outlined in the recommendation impacting CD 201600605 and CD 201506260 have adversely affected the circumstances, Continental has created the alleged emergency situation through its own actions or inactions.

RESPECTFULLY SUBMITTED THIS 15th DAY OF JUNE, 2016.


Michael L. Decker
Administrative Law Judge

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MLD:sm

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Commissioner Murphy
Commissioner Hiatt
ALJ Patricia MacGuigam
ALJ Michael Decker
David E. Pepper
Robert A. Miller
Jim Hamilton
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