

**STATE OF INDIANA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS**

FINAL DETERMINATION OF ACCEPTANCE

Petition of Continental Resources, Inc. For Drilling Unit) Cause No.: DOG-03-2011
and Spacing Exceptions for Drilling and Production from)
All sandstones above the McClosky Limestone, located in)
the following areas in Pike County only: Sec.7, 15-22, 27-
34, T1N, R8W; all land units except those portions of Sec
1-14 that fall outside of Pike County for T.1N, R.9W; Sec.
3-10, 15-22, T.1S, R.8W; and Sec. 1-24, T.1S, R.9W.

As provided in 312 IAC 16-5-2, an informal hearing was conducted under 312 16-2-3 and held in this matter on 9/1/2011, before the Indiana Department of Natural Resources (IDNR), Division of Oil and Gas (Division), at the Indianapolis Office of the Division located at 402 W. Washington Street, Indianapolis, IN 46204. The purpose of the informal hearing was to consider the Petition for granting an exception to the well spacing and drilling unit requirements filed by Continental Resources, Inc. (Petitioner) for production from all sandstones above the McClosky limestone located in Sec.7, 15-22, 27-34, of Township 1N, Range 8W; all land units except those portions of Sec 1-14 that fall outside of Pike County for Township 1N, Range 9W; Sec. 3-10, 15-22 of Township 1S, Range 8W; and Sec. 1-24 of Township 1S, Range 9W of Pike County, IN only (Affected Area).

Having reviewed the entire record in this matter, and being duly advised, the Director of the Division of Oil and Gas (Director) makes the following Findings of Fact, Conclusions of Law and Final Determination of Acceptance:

FINDINGS OF FACT

1. Petitioner Continental Resources, Inc. is a corporation whose principal place of business is P. O. Box 749, Mt. Vernon, Illinois 62864.
2. Indiana Code 14-37-3-3 requires the IDNR to regulate the spacing of wells for oil and gas purposes through the establishment of rules providing minimum distances between wells and adjacent properties, and minimum acreage requirements for each well taking into consideration of regional and geological characteristics and factors conducive to the most efficient and economical recovery of oil and gas.
3. 312 IAC 16-5-1 through 312 IAC 16-5-3 contain the rules adopted by IDNR for regulation of well spacing and drilling unit size.
4. 312 IAC 16-5-2 allows the Division Director to grant an exception to the spacing or drilling unit requirements of 312 IAC 16-5-1 and 312 IAC 16-5-2 where the request is supported by unusual regional or geological characteristics and the exception is conducive to the most efficient and economical recovery of oil and gas.
5. Petitioner asserts that due to geologic features such as sandstone lenses and stratigraphic traps and years of waterflooding, production on standard ten (10) acre units by secondary recovery

methods can result in oil being crowded into portions of the reservoir where it is unable to be recovered or "stranded". Development on five (5) acre spacing units rather than from standard ten (10) acre units will result in an extension of the productive life of the field and maximize the ultimate recovery of oil.

6. Petitioner proposes a minimum spacing of 330 feet between wells producing from the same sandstone reservoir, a minimum spacing of 165 feet from uncontrolled property within the Affected Area and a minimum spacing of 330 feet from the outside boundary of the Affected Area. This creates a maximum well density of one well per ½, ¼, ¼, 1/4 section.
7. Petitioner proposes that a minimum of ten (10) contiguous acres must be under a valid lease as required under 312 IAC 16-5-3.
8. Petitioner further asserts that five (5) acre units have been approved on smaller individual tracts within the Affected Area in the past and that the Commission issued an order in 1948 approving five acre spacing for portions of the Affected Area. This petition seeks to clarify the exact area to which the exception may be applied.
9. Petitioner attached the following documents to its Petition:
 - a. Exhibit "A" – Map showing the outline of the of the Request Area
 - b. Exhibit "B" – Copy of the 1948 Commission Order for Spacing of Existing Wells in Clay and Madison townships of Pike County, IN,
10. As required by 312 IAC 16-2-3 (c), notice of the date, time, and place of the informal hearing held in the Indianapolis Office of the Division of Oil and Gas on September 1, 2011 was published in the Petersburg Press-Dispatch newspaper on August 17, 2011.

11. The following persons were present at the informal hearing held on 9/1/2011:

<u>Person</u>	<u>Representing</u>
Mona L. Nemecek	Division Oil and Gas

12. No comments or objections to the Petition were submitted by any persons present at the informal hearing.
13. No written comments were submitted by any persons who were not present at the informal hearing.
14. Based upon a review of all relevant information, the Petition should be accepted in order to allow the Petitioner to proceed with the efficient and economical development of the request area in accordance with the Final Determination of Acceptance.

CONCLUSIONS OF LAW AND FINAL DETERMINATION OF ACCEPTANCE

1. IC 14-37-3-3 and any rules promulgated thereunder apply and are pertinent to the subject matter of the Petition filed herein.
2. There has been full compliance with all notice requirements provided by law, and all interested parties have been afforded an opportunity to be heard.
3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to approve this Petition.
4. The Petition, herein referenced, contains the elements required by law.

5. The spacing and drilling unit acreage requested by Petitioner is hereby approved as follows:
- a. Drilling units, each consisting of $\frac{1}{2}$ of a $\frac{1}{4}$, $\frac{1}{4}$, $\frac{1}{4}$ section containing 5 acres more or less, allowing for the use of any portion of one $\frac{1}{4}$, $\frac{1}{4}$ section with any portion of another $\frac{1}{4}$, $\frac{1}{4}$ section ; and
 - b. Spacing of no less than 330 feet between oil wells capable of production from the same formation, specifically the sandstones above the McClosky limestone, within the boundaries of the request area, creating a maximum density of one well per five acres.
 - c. Producing wells shall not be spaced closer than 165 feet from a lease line, property line or other unconsolidated property interest within the Affected Area, not including the outside boundary of the Affected Area. Producing wells shall not be spaced closer than 330 feet from the outside boundary of the Affected Area.
 - d. A minimum of ten (10) contiguous acres must be under valid lease(s) within the Affected Area.
6. This determination is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7.

September 9, 2011
Dated



Herschel L. McDivitt, Director
Division of Oil and Gas

**DIVISION OF OIL AND GAS
DEPARTMENT OF NATURAL RESOURCES**

NOTICE OF FINAL DETERMINATION OF ACCEPTANCE

NOTICE OF RIGHT TO APPEAL

CERTIFICATE OF MAILING

You are hereby notified that on the date indicated below, the Indiana Department of Natural Resources, through the Director of the Division of Oil and Gas, issued a Final Determination of Acceptance with respect to a Petition for an exception to the well spacing and drilling unit requirements found in 312 IAC 16-5-1 through 312 IAC 16-5-3. The Order of Acceptance is based on a Petition filed by Continental Resources, Inc. (Petitioner) and on an Informal Hearing held in this matter on 9/1/2011, in Indianapolis, Indiana to consider the Petition for an exception to the 10 acre spacing requirement for production from sandstones above the McClosky limestone, located in Sec.7, 15-22, 27-34, of Township 1N, Range 8W; all land units except those portions of Sec 1-14 that fall outside of Pike County for Township 1N, Range 9W; Sec. 3-10, 15-22 of Township 1S, Range 8W; and Sec. 1-24 of Township 1S, Range 9W of Pike County, IN only. A copy of the Final Determination of Acceptance issued on the date indicated below is enclosed.

The terms of the enclosed Final Determination of Acceptance are subject to appeal and review under IC 4-21.5-3-7 in a hearing before an Administrative Law Judge. In order to qualify for administrative review, a person must petition for review in writing stating facts that demonstrate the petitioner is:

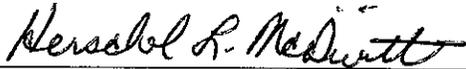
- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Indiana Government Center North, 100 N. Senate Ave., Rm. N501, Indianapolis, IN 46204 within eighteen (18) days after the mailing date of this notice. If no petition for administrative review is filed within the stated time limit, all terms and conditions contained in the enclosed Final Determination of Acceptance will become final and binding.

I further certify that a copy of the referenced Final Determination of Acceptance was sent by First Class Mail on the date indicated below to the following:

Continental Resources, Inc., P. O. Box 749, Mt. Vernon, IL 62864

March 17, 2011
Date



Herschel L. McDivitt, Director
Division of Oil and Gas