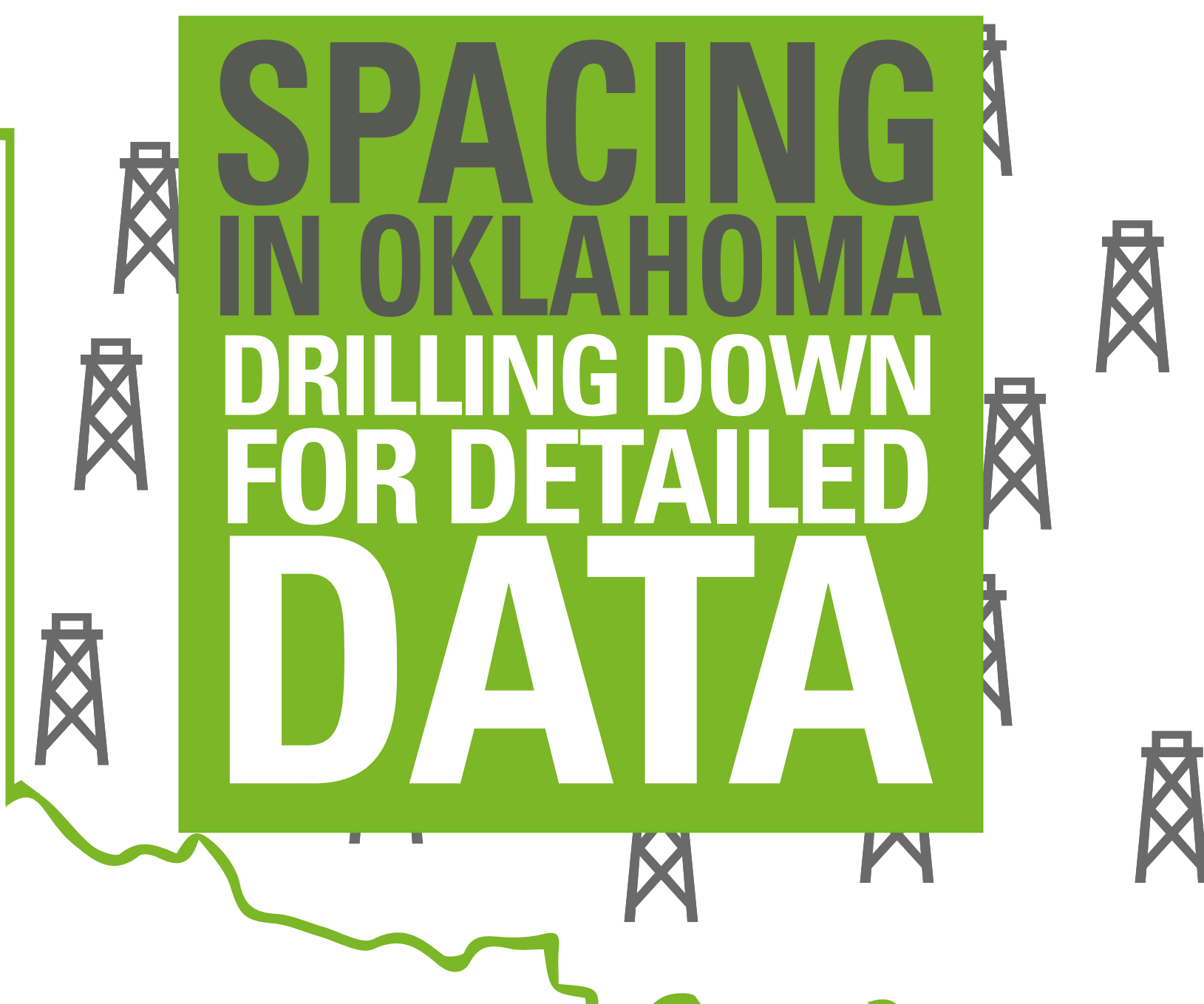
SPACING IN OKLAHOMA

DRILLING DOWN FOR DETAILED DATA



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WHITE PAPER

Spacing in Oklahoma: Drilling Down for Detailed Data

Overview

The process of drilling an oil and gas well has never been more technologically driven or financially risky than it is now. That's why it's critical to have easy access to the most detailed and precise information possible. That process begins – both literally and figuratively – at the ground level in Oklahoma.

Knowing where potential oil and gas reserves are hiding is only part of the equation. The other part is having legal authorization from the Oklahoma Corporation Commission to drill a particular well on a particular plot of ground. As such, Commission-mandated spacing orders are the foundational legal layer upon which all wells in Oklahoma are built, defining the vertical and horizontal "box" that a well lives in during its entire life.

Complicating the issuance of such orders is the fact that in Oklahoma, spacing orders do not have expiration dates and become permanent fixtures of the laws affecting the land on which the spacing order applies. Additionally, an Oklahoma Spacing Unit can allow for more than one well to be drilled, creating increased density and the potential for faster return on investment.

A Difficult Process Made More Difficult

There's a very typical scenario played out in Oklahoma every day: Which exact Spacing Unit are you looking for?

In Oklahoma – whether it's an $11mm horizontal or a $200k shallow well drilled from a portable rig – your well is going to live its entire life in a unit or box that's typically defined as a Spacing Unit sanctioned by a Spacing order issued from the Oklahoma Corporation Commission.

Keep these functions in mind to properly and fully determine Spacing concerns:

- Look at all Spacing Orders for your target zone and lands.
- Ensure that the nomenclature is exactly the same as your target (example: Hunton isn't the same as Hunton 1st Repeated).
- Ensure that before a Spacing Order created a new Spacing Unit, that any/all prior existing Spacing Orders in the zone were deleted (resolving possible conflicts).
- Ensure that the orientation of rectangular units is consistent with the pattern in the area.
- Ensure that two Spacing Orders of different generations don't purport to space the same zone differently (or even the same).
- Only one Spacing Order can be valid per zone, per unit.

Let's say that you're working the land on a prospect and trying to determine if some of the mineral ownership is held by production. In Oklahoma – after you confirm that the unit well is still producing – what are the first things to do?

- Determine your boundaries. How big is the unit?
- If you're using an old 1002a (well completion) to work the unit and it shows the Spacing Order Number, check it. It can change, or could be wrong (especially from 1978-82).
- Remember that a unit can't be pooled (i.e. having the interests secured) unless it's first spaced – so getting spacing right is absolutely essential.

The next step in your quest is to check spacing by accessing a data system of some sort, or perhaps the OCC, inputting a legal description and having that system create a list of all the spacing orders that hit your section. This doesn't really tell you anything – other than there's an order (usually numerous orders) on that land that ties to a specific zone. Maybe it's online, or perhaps a call-in, but in reality, it's just an index. That means you still have to pull the records and see what they mean. Or, what they might mean.

After you've run all the traps listed above, you end up with just an index and a stack of records. However, even armed with such an index, you're still not 100% certain of the following:

- the strength of that one order you found
- how it fits together with the other orders
- whether it is downstream (an extension of a flawed/conflicted order)
- whether it creates a conflict itself
- whether it has nomenclature issues and really doesn't space your unit at all

So, you settle for the data you can get because, well, you need to move forward.

But what if you could get every index correct every single time? And could do it in less time than you'd spend wading through an index, figuring out what records to pull and trying to read through all of them?

Now you're starting to realize the true value you receive from Oil-Law Records.

Making Complex Issues Very Simple

Given the complexities associated with Oklahoma Corporation Commission records going back 90 years, providing a complete unitization history for any particular parcel of land in Oklahoma can be a daunting task; one that potentially would require hours and hours of research to acquire the information, analyze the records and faithfully provide exhaustive details about the parcel's previous drilling and spacing history.

This is precisely why Oil-Law Records was founded more than 60 years ago: because Oklahoma statutes require this kind of in-depth and detailed information on every single filing for pooling, increased density, location exception and spacing.

Spacing applications must include a complete written history and legal evaluation of spacing for the given zone. What's more, a typical Oklahoma Spacing Order can often include numerous unique exceptions and issues that must be carefully read and understood by those responsible for the filings.

It doesn't take too much imagination to realize that sifting through these often massive underlying filings and documents is extremely time-consuming and can result in missed opportunities. And that such a comprehensive, manual analysis is vulnerable to human error and inaccuracy.

Simplifying such a complex process is precisely the time-, effort- and money-saving informational advantage that Oil-Law Records delivers every single day, providing the greatest Oklahoma Spacing dataset available anywhere and bringing to DI subscribers the length, depth and breadth of vital Spacing information you need to succeed.

The Source System

OLR's proprietary 'Source System' includes fully interpreted and completely historical spacing information on all spacing units and zones in Oklahoma. All underlying documents have been examined, determined, tabulated for flaws, and rendered as complete. This results in the highest degree of accuracy.

Best of all, there's no longer any need to sift through and interpret documentation. Manual work is eliminated and untold hours of meticulous labor are saved.

Utilizing the Source System gives you complete access to Oklahoma Spacing and Density data that covers the entire history of a Spacing Unit, is simple to understand, and includes both Spacing and Density in a single entity.

By eliminating any inconsistencies, conflicts or exceptions, this powerful dataset not only delivers the most accurate information, but subscribers can quickly and conveniently find open acreage faster, easily monitor competitor activity, and be the first to claim the best exploration opportunities.

With DI's OLR Spacing System…

- All spacing "title" is run in advance presenting the fully-interpreted bottom lines.
- All conflicts of all categories are described.
- All inconsistencies of nomenclature, rectangular unit orientation, unresolved prior orders, etc. are clearly noted.
- All orders in all zones are clearly tied back to their originating order over time and distance and across multiple same-zone orders in easy-to-understand, instantly-accessible PDF's called "Source" documents, i.e. historical trail documentation.
- Spacing can be determined in seconds, accurately and completely.

Save your most precious resource while researching Oklahoma spacing: time.

By monitoring the market, Drillinginfo continuously delivers innovative oil & gas solutions that enable our customers to sustain a competitive advantage in any environment.

Drillinginfo customers constantly perform above their competitors because they are more efficient and more proactive than the competition.

Learn more at drillinginfo.com