

Bailey, Jami, EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, July 13, 2011 8:53 AM
To: Bailey, Jami, EMNRD; Ezeanyim, Richard, EMNRD; Gerholt, Gabrielle, EMNRD
Subject: FW: OGX Resources/Case 14661/Order R-13425

I received this email from Jim re the case written last week. I have told him that I will get back to him with suggestions, if any, as to his course, after internal consultations.

Please advise.

David

From: jamesbruc@aol.com [<mailto:jamesbruc@aol.com>]
Sent: Wednesday, July 13, 2011 7:21 AM
To: Brooks, David K., EMNRD
Cc: mfeldewert@hollandhart.com
Subject: OGX Resources/Case 14661/Order R-13425

David: I received the above order, and wish you had contacted me before issuing it. The well unit is a proper non-standard unit, the following reasons:

1. If you'll recall, in Case 14637/Order R-13407, OGX obtained a non-standard unit order on, and forced pooled, the SE/4NE/4 and E/SE/4 of Sec. 30 and the E/2NE/4 of Sec. 31 for its Copperhead 31 Fed Com No. 1H. This well has been drilled and is in the process of being completed. The reason for omitting the NE/4NE/4 of Sec. 30 from that unit is that OGX believed that the drilling rig couldn't properly drill a longer lateral, but wanted to maximize the lateral length to hit more pay (the unit covers about 180 acres). By the way, OGX and its WI partners own 100% of the WI in the NE/4NE/4 of Sec. 30 (as well as the SE/4NE/4), so no one was wrongfully excluded from the shorter lateral.
2. In this case, Case 14661, OGX is likewise omitting the NW/4NW/4 (Lot 1) of Sec. 30. This is not meant to improperly exclude anyone -- OGX, as well as Chesapeake, own WI's in the NW/4 Sec. 30 (a single tract) and the NW/4 of Sec. 31, with OGX owing 100% of the WI in the SW/4 of Sec. 31 (a single tract). Thus, no one is being excluded from the well.
3. OGX's plan is to drill 5 wells in Secs. 30 and 31 -- 4 standups of about 180 acres each, and a laydown of about 160 acres (the N/2N/2 Section 30). If the Division is now "requiring" 160 acre laterals, OGX will have to drill 6 wells in Secs. 30 and 31, rather than 5, which will increase costs and cause waste. Since the Copperhead 31 Fed No. 1H has already been drilled, not being able to develop the lands as planned will also cause waste.
4. Chesapeake did not object to the composition of the well unit.

I would like to file a motion for reconsideration, if possible, to avoid a de novo hearing, if that is possible, or at least re-open the case and set it on the Examiner docket to explain these matters on the record. Can we do that?

Jim