

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: LINN OPERATING, INC., AS AGENT FOR)
LINN ENERGY HOLDINGS, LLC)

RELIEF SOUGHT: AMEND PLAN OF UNITIZATION)

Cause CD No. 201202306

LEGAL DESCRIPTION: NORTHEAST CHEROKEE)
UNIT IN ALL OR PARTS OF)
SECTIONS 19, 20, 21, 22, 29)
AND 30, TOWNSHIP 27)
NORTH, RANGE 10 WEST,)
AND SECTIONS 23, 24, 25)
AND 26, TOWNSHIP 27)
NORTH, RANGE 11 WEST,)
ALFALFA COUNTY,)
OKLAHOMA)

Order No. 597823

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., 7th day of May, 2012, Jim Thorpe Building, Oklahoma City, Oklahoma.

2. Appearances: Roger A. Grove, Attorney for Applicant.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons. That the Administrative Law Judge conducted an adjudicative inquiry into the sufficiency of the Applicant's search for the identity and whereabouts of those respondents whose addresses are unknown for service of process and could not be ascertained with due diligence. Upon the adjudicative inquiry into the factual issue of due diligence and an examination of the record and proof of publication, the Administrative Law Judge found the process to be proper. The Commission finds that the Applicant conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication.

4. Amendment: None.

5. Relief Requested: To modify the provisions of Section 8.2.5 of the Plan so as to raise the single expenditure limitation therein from Ten Thousand Dollars (\$10,000) to Fifty Thousand Dollars (\$50,000).

6. Reason Relief Should be Granted:

(A) The Oklahoma Corporation Commission has heretofore, by **Order No. 51652**, established the Northeast Cherokee Unit underlying all or Parts of Sections 19, 20, 21, 22, 29 and 30, Township 27 North, Range 10 West, and Sections 23, 24, 25 and 26, Township 27 North, Range 11 West, Alfalfa County, Oklahoma as a secondary recovery unit for the Basal Pennsylvanian (Cherokee) common source of supply.

(B) The Plan of Unitization ("Plan") for said Northeast Cherokee Unit ("Unit") provides in part that the Operating Committee shall have general control of the Unit including decisions as to the drilling of wells, operations of the Unit, etc. as set forth in Section 8.2 of the Plan.

(C) Section 8.2.5 provides that the Operating Committee shall have the power and duty:

"To pass upon and approve or disapprove all costs and estimates of costs and any proposed expenditures by the Unit Operator; provided, that the Operating Committee shall permit without prior approval by it the incurring of normal operating expenses and any proposed expenditure by the Unit Operator of not more than Ten Thousand Dollars (\$10,000); and provided further that the approval by the Operating Committee of the drilling of any well or wells or carrying out any specific project of development or operation shall mean and include the approval of all necessary expenditures in drilling, completing and equipping such well or wells or carrying out such project."

(D) The above provision was part of a Plan of Unitization adopted in 1963 by Order No. 51652. However, subsequent to that date inflation and increased costs currently render such a low limitation of expenditure on the Operator unduly burdensome and cumbersome. Therefore, in order to effectively operate the Unit in such a manner as to benefit all Owners in the Unit, the provisions of said Section 8.2.5 should be amended so as to raise the single expenditure limitation from Ten Thousand Dollars (\$10,000) to Fifty Thousand Dollars (\$50,000).

(E) The witness for Applicant submitted a spreadsheet reflecting that the Operator had polled the working interest owners on the proposed increase in the single expenditure limitation and received approval from owners 75.041122% of the working interest in the Unit to such an increase in the expenditure limit as required by statute. No owners objected to the proposal. The owners of the remaining working interest did not respond to the proposal. Therefore, a final order can issue in this case as the requested modification to the Unit Plan has been approved by the 63% of working interest as required by statute (52 Okla. Stat. Sections 287.1 *et seq.*)

(F) The Commission finds that in order to effectively operate the Unit in such a manner as to benefit all Owners in the Unit in the most efficient and cost effective manner, therefore protecting the correlative rights of the owners and preventing waste, the provisions of said Paragraph 8.2.5 should be amended so as to raise the single expenditure limitation from Ten Thousand Dollars (\$10,000) to Fifty Thousand Dollars (\$50,000).

8. Relief Granted: The requested relief is granted. The Plan of Unitization for the Northeast Cherokee Unit is hereby amended as follows:

Paragraph 8.2.5 is hereby amended to read as follows:

"8.2.5 To pass upon and approve or disapprove all costs and estimates of costs and any proposed expenditures by the Unit Operator; provided, that the Operating Committee shall permit without prior approval by it the incurring of normal operating expenses and any proposed expenditure by the Unit Operator of not more than Fifty Thousand Dollars (\$50,000); and provided further that the approval

by the Operating Committee of the drilling of any well or wells or carrying out any specific project of development or operation shall mean and include the approval of all necessary expenditures in drilling, completing and equipping such well or wells or carrying out such project..”

9. Conclusion: The relief requested is necessary to prevent or to assist in preventing the various types of waste of oil or gas prohibited by statute, or any of said wastes, and to protect or assist in protecting the correlative rights of interested parties. Such requested relief, as set forth above, should be granted and IT IS SO ORDERED.

10. Effective Date: Date of execution of Order.

CORPORATION COMMISSION OF OKLAHOMA
Dana L. Murphy
Dana L. Murphy, Chair
Bob Anthony
Bob Anthony, Vice Chairman
Patrice Douglas
Patrice Douglas, Commissioner

DONE AND PERFORMED this 18 day of May, 2012.

BY ORDER OF THE COMMISSION:

Peggy Mitchell
Peggy Mitchell, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The above findings and Order are the report and recommendations of the Administrative Law Judge.

APPROVED:

Paul E. Porter
Paul E. Porter, Administrative Law Judge

MAY 9, 2012
Date

Ulizma Hullmji
Reviewer

5-15-12
Date

Approved as to Form:

Roger A. Grove