

**ARKANSAS OIL AND GAS COMMISSION
301 NATURAL RESOURCES DRIVE
SUITE 102
LITTLE ROCK, ARKANSAS 72205**

ORDER NO. 154-2014-05

June 03, 2014

**General Rule B-43 Well Spacing Area
*Van Buren County, Arkansas***

AUTHORITY TO DRILL AND PRODUCE WELL / SHARING COSTS AND NATURAL GAS PRODUCED

After due notice and public hearing in Fort Smith, Arkansas, on May 28, 2014, the Arkansas Oil and Gas Commission, in order to prevent waste, carry out an orderly program of development and protect the correlative rights of each owner in the common source(s) of supply in this drilling unit, has found the following facts and issued the following Order.

STATEMENT OF THE CASE

XTO Energy, Inc., (the "Applicant"), filed its application for authority to drill and produce its proposed Smith #5-30H29 well, pursuant to Arkansas Oil and Gas Commission General Rule B-43 (o), and to share the costs of such well and the natural gas produced therefrom between the working interest owners and royalty interest owners of the existing units consisting of Sections 30 and 29, Township 11 North, Range 13 West, Van Buren County, Arkansas.

FINDINGS OF FACT

From the evidence introduced at the hearing, the Commission finds:

1. That the Applicant is operator and owns or has the support of the majority working interest within Sections 30 and 29, Township 11 North, Range 13 West, Van Buren County, Arkansas.
2. The Applicant proposes to drill a cross-unit horizontal well targeting the Fayetteville Shale and any intervening formations. The surface hole is planned in the Northeast Quarter of Section 30, Township 11 North, Range 13 West with a bottom hole location in the Southwest Quarter of Section 29, Township 11 North, Range 13 West.
3. Utilizing an area encompassed an exterior which is defined by a distance of 560 feet measured perpendicular to both sides of the proposed well bore and a radius extending 560 feet from the first perforation (heel) and the last perforation (toe), the applicant estimates that the allocation area encompassing the perforated well bore is approximately 43.65% in Section 30 and 56.35% to Section 29, Township 11 North, Range 13 West.
4. The Applicant proposes that operations will be conducted under the terms of Model Form Operating Agreements adopted by the Commission, with the non-consent penalty being 400% for the proposed well; and that the above allocation of cost shall be effective for the drilling of the proposed well through the setting of production casing. The following terms will also govern the drilling and completion of the proposed well:
 - (A) After the setting of production casing, but before a completion attempt is made, drilling cost will be reallocated, based upon the actual perforated interval available for completion in the as-drilled well bore. This re-allocation may result in a revision to working interest and all costs paid to that point will be adjusted.
 - (B) If a well bore is lost during the drilling or completion operation and a replacement well bore is proposed with an alternate azimuth that will result in a further reallocation of working interest participation or the allocation of the production, the replacement well will be treated as a new well proposal with the revised interest. All parties that participate in the drilling and completion attempt in the initial well will be liable for their proportionate share of the actual cost of operation to the point of setting a plug for side-track operations, based on their original interest.
 - (C) Should any party that elected to participate in the initial well elect to not participate in the replacement well, the penalty for a non-consent election in the replacement well will be imposed on only the replacement well costs. A non-participating party in the initial well will not be afforded the opportunity to participate in the replacement well and their penalty will be imposed on the cumulative cost of the initial well and the replacement well.

- (D) Any re-allocation after the setting of production casing will be final for the completion attempt and for the ultimate allocation of production from the well between the respective units.
5. That the granting of this application will be protective of the correlative rights of all interested parties and will prevent waste of the natural gas by permitting an efficient method of developing the resource within multiple drilling units
6. That no objections were filed.

CONCLUSIONS OF LAW

1. That due notice of public hearing was given as required by law and that this Commission has jurisdiction over said parties and the matter herein considered.
2. That this Commission has authority to grant said application under the provisions of Act No. 105 of 1939, as amended.

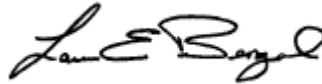
ORDER

It is, therefore, Ordered by the Commission:

1. The Applicant's application for authority to produce its Smith #5-30H29 well is hereby approved.
2. The Applicant shall share the costs of such well and the natural gas produced therefrom in the manner described in Finding Nos. 3 and 4 above.
3. That if the subject well encroaches upon but does not cross the drilling unit boundary of an adjoining drilling unit (an "encroaching well"), the Commission shall not consider the encroached-upon drilling unit to be held by production from the encroaching well.
4. That the following requirements are placed upon the drilling units from which production is allocated by applicant's well:
- a. There is at least one well located, as defined in subsection (a)(2) of General Rule B-3, at a non-exceptional well location and located entirely within each included drilling unit that is producing or capable of producing gas; or
 - b. Within twelve (12) months following the date the well for which approval is granted is spud, there will be at least one well located, as defined in subsection (a)(2) of General Rule B-3, at a non-exceptional well location and located entirely within each included drilling unit that is either a well that is producing gas, or a well that is capable of producing gas and awaiting connection to a pipeline; or
 - c. There is at least one well or a combination of multiple wells, including cross unit wells and/or encroaching wells located, as defined in subsection (a)(2) of General Rule B-3, within each included drilling unit that have a total combined perforated lateral length within the drilling unit of not less than 4160 feet, and are producing or are capable of producing gas; or
 - d. Within twelve (12) months following the date the well for which approval is granted is spud, there will be at least one well or a combination of multiple wells, including cross unit wells and or encroaching wells located, as defined in subsection (a)(2) of General Rule B-3, within each included drilling unit that have a total combined perforated lateral length within the drilling unit of not less than 4160 feet, and are producing or are capable of producing gas and awaiting connection to a pipeline.

This Order shall be effective from and after **June 03, 2014**; and the Commission shall have continuing jurisdiction for the purposes of enforcement, and/or modifications or amendments to the provisions of this Order. This Order will automatically terminate under any of the following conditions: well drilling operations have not been commenced within one year after the effective date; or one year following cessation of drilling operations if no production is established; or, within one year from the cessation of production from the units.

ARKANSAS OIL AND GAS COMMISSION

A handwritten signature in black ink, appearing to read "Lawrence E. Bengal". The signature is fluid and cursive, with the first name "Lawrence" and last name "Bengal" being clearly distinguishable.

Lawrence E. Bengal,
Director