

F. D. McCRARY, OPERATOR, INC
4295 W. 350 N.
PETERSBURG, IN 47567

January 31, 2011

Re: Petition for Exception (Spacing Requirements) 31-1N-8W

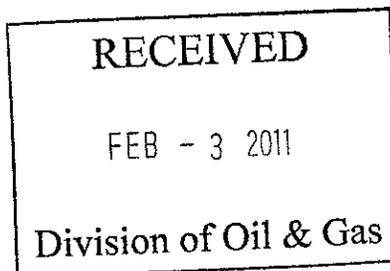
Mr. Herschel McDivitt
Director
Indiana Department of Natural Resources
Division of Oil and Gas
402 W. Washington St., Rm. 293
Indianapolis, IN 46204

Dear Herschel,

We enclose a Petition for an Exception to the General Oil and Gas Well Spacing Rules, specifically pertaining to our Davis and Barker Leases in 31-1N-8W, Pike County, Indiana. The petition is similar, spacing wise, to an exception granted to F. D. McCrary, Operator, Inc. (successor operator Continental Resources of Indiana), to Hardinsburg Sandstone wells in 31-1N-8W, but further, in consideration of regional characteristics, prays to include all sandstone formations, mirroring the blanket exception in 1N-9W granted in 1948.

Respectfully yours,

Fred W McCrary Pres.
F. D. McCrary, Operator, Inc.



STATE OF INDIANA
BEFORE THE
NATURAL RESOURCES COMMISSION
OF THE
DEPARTMENT OF NATURAL RESOURCES

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Division of Oil & Gas

IN THE MATTER OF:

) PETITION OF F. D. McCrary, OPERATOR, INC.
) FOR AN EXCEPTION TO 310
) IAC 7-1-(30,31) OF THE
) GENERAL OIL AND GAS WELL
) SPACING RULES

PETITION

Comes now F. D. McCrary, Operator, Inc., on behalf of itself and other owners of leasehold interests as set forth below (hereinafter called "Petitioner"), and respectfully shows the Department of Natural Resources of the State of Indiana the following:

1. Petitioner is the holder of legal title to, and is the duly authorized representative of all other owners of contractual or other beneficial interests in, certain oil and gas leasehold(s) covering land(s) in Section 31, Township 1 North, Range 8 West, Madison Township, Pike County, Indiana, which leasehold estates and lands are more fully described in a schedule thereof, marked Exhibit "A" and by reference incorporated herein and made a part hereof. There is also attached hereto, marked Exhibit "B" and by reference incorporated herein and made a part of hereof a map of plat of the area sought to be affected by this proposed Order. The lands so designated on Exhibit "A" and Exhibit "B" are hereinafter referred to as the "Affected Area".
2. It is the purpose of this Petition to obtain approval for **Five (5) acre drilling units for ALL SANDSTONE WELLS / RESERVOIRS**, located in these leasehold estates and lands. In the drilling of said Sandstone Wells, it shall be lawful to space wells 330 feet from any lease line, property line, or subdivision which separates unconsolidated property interests, and 330 feet from any drilling or producing well, creating a maximum well density of one well per $\frac{1}{2}$ of one $\frac{1}{4}$, $\frac{1}{4}$, $\frac{1}{4}$ Section per producing horizon, as described in Exhibit "A" and shown on Exhibit "B", pursuant to the provisions of 310 IAC 7-1-32. **This exception will apply only to sandstone production above the McCloskey Limestone.**
3. As grounds for seeking said exception, Petitioner would respectfully show to the Commission that it is supported by local regional and geologic characteristics and would allow the most efficient and economic recovery of Oil and Natural Gas. In particular, these conditions exist in the Affected Area, similar to those which exist in other parts of Madison Township, Pike County, Indiana, where a Commission Order allowing for five acre spacing of all Sandstone Wells has been in continuous effect since 1948. A copy of said order is attached to this Petition and marked Exhibit "C".
4. Petitioner is ready and willing to supply to the Commission or to its representatives such further and additional information as may be pertinent or relative to consideration of five (5) acre well spacing for all sandstone wells located on petitioner's leasehold estates and lands in the "Affected Area", at or prior to consideration of this Petition.
5. Petitioner has not attached structure maps hereto, as structure is not the key factor in exploring for and producing Oil from these reservoirs. Sandstone "lenses" and related stratigraphic traps with minor structural implications are more impactful for Oil and Natural Gas accumulations in the UBC. Those factors, as well as the large number of historical wells in the UBC account for a large area of the Field to already allow for five (5) acre drilling units for sandstone wells.

6. Petitioner represents that to the best of the knowledge, information, and belief of Petitioner, no valid reasons exist to indicate or establish that five acre spacing (one well per $\frac{1}{2}$ of $\frac{1}{4}$, $\frac{1}{4}$, $\frac{1}{4}$ Section) for all sandstone wells, would not be in the best interest of conservation, and on the contrary, Petitioner respectfully states that the maintaining of standard spacing and unit specifications in the Affected Area is contrary to the best interests of conservation and the preservation and utilization of petroleum resources.

It is the prayer of said Petition that after a Public Notice period, the prayer of this Petition be granted and that the exception sought in this Petition to 310 IAC 7-1-(30,31) of the General Oil and Gas Well spacing rules as it relates to Sandstone Wells / Reservoirs above the McCloskey Limestone within the Affected Area indicated on Exhibit "B" attached hereto be authorized and established, subject to such further terms and conditions as the Commission may impose in and by its Order establishing such spacing and units.

Respectfully submitted,


F. D. McCrary, Operator, Inc.

By: Fred D. McCrary, its President

This instrument prepared by:

Fred D. McCrary
4295 W. 350 N.
Petersburg, IN 47567

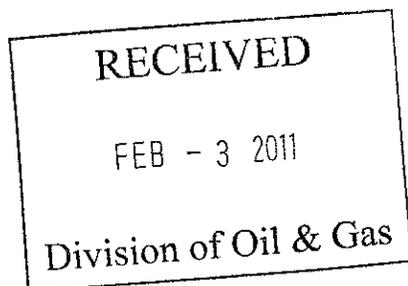


EXHIBIT "A"

DONALD AND NANCY DAVIS LEASE (RECORDED IN OIL AND GAS LEASE RECORD 156 AT PAGES 830-833).
(PART):

Part of the east half of the southeast quarter of Section Thirty One (31), Township One (1) North, Range Eight (8) West, described as follows, to-wit: Beginning at the northeast corner of said quarter quarter section; thence West 48 rods; thence South 32 rods; thence West 34 rods; thence South 128 rods; thence East 82 rods; thence North 160 rods to the place of beginning, containing 76 acres, more or less.

EXCEPTING THEREFROM, a part of the East Half of the Southeast Quarter of Section 31, Township 1 North, Range 8 West, in Pike County, Indiana, and more particularly described as follows: Commencing at a point on the North line of the East half of the Southeast Quarter of Section 31, Township 1 North, Range 8 West, said point being 48 rods West of the Northeast corner of said half quarter section; thence East along the North line of said half quarter section a distance of 250 feet to the place of beginning of the above described real estate; thence South 200 feet; thence East 190 feet; thence North 200 feet; thence West 190 feet to the place of beginning and containing .87 of an acre, more or less.

ELEANOR P. BARKER LEASE (RECORDED IN MISCELLANEOUS RECORD "N" AT PAGE 88, OFFICE OF THE RECORDER, PIKE COUNTY, INDIANA) (PART):

14 Acres of the Southeast Quarter of Section 31, Township 1 North, Range 8 West, described by metes and bounds as follows: Commencing 82 rods West of the Southeast corner of said Southeast Quarter of said Section 31, thence North 128 rods, thence West 18 rods, thence South 120 rods, thence East 18 rods to the place of beginning, to a subsurface depth of 1,500 feet.

END OF DESCRIPTIONS

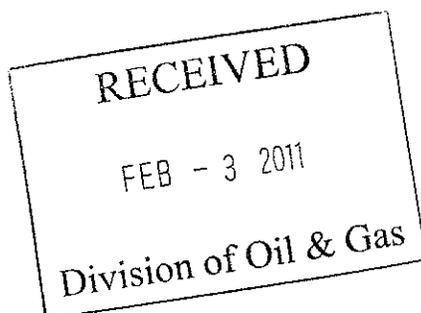


EXHIBIT "B"

PART VII SURVEY

General Instructions

Use a 1" = 1000' scale

Surveyor must complete the following

- Clearly indicate the section township, and range on the survey, spot the well and show the footages from the lines
- Use the surveyor's notes to explain deviations from a standard location such as topography and irregular sections

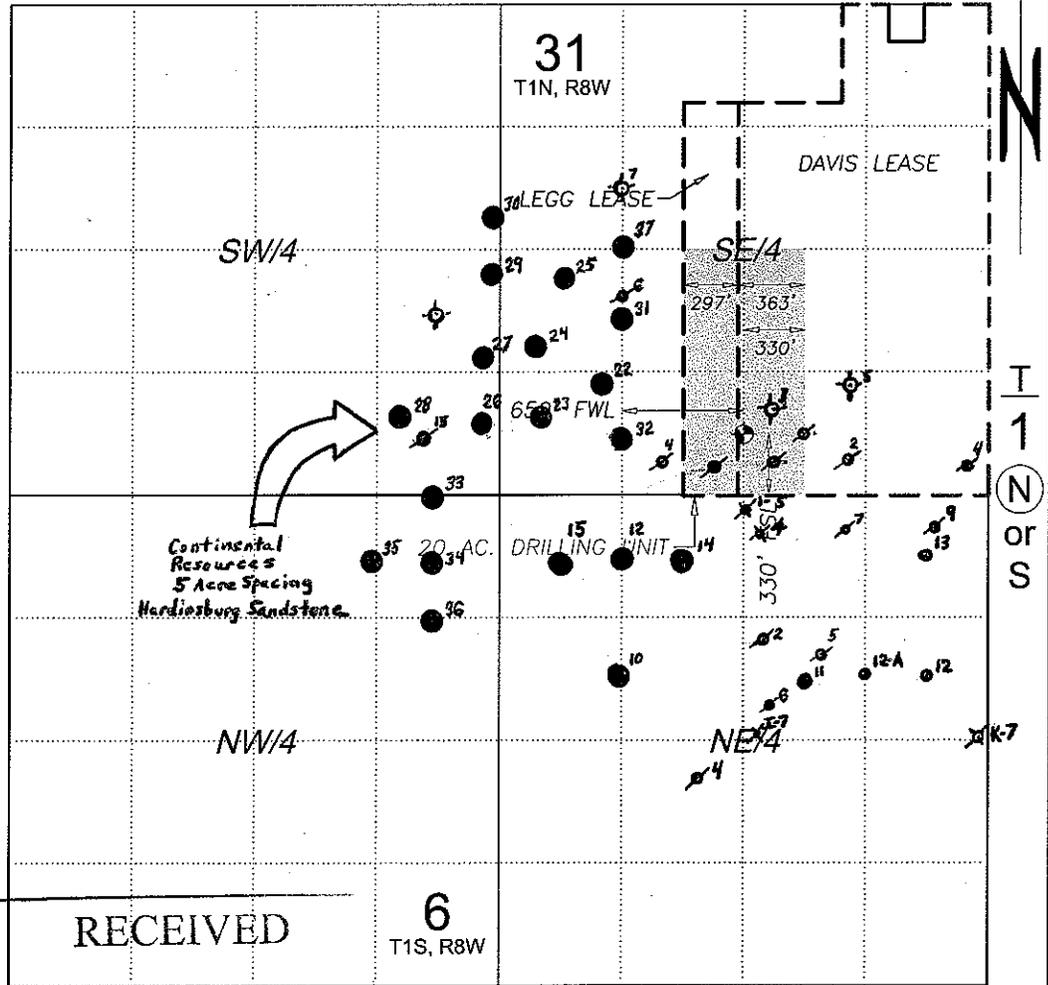
Operator or authorized agent must complete the following

- For oil or gas wells, outline the leased or communitized areas AND the drilling unit allotment
 - For all Directional and Horizontal wells show the surface location AND termination point of the well
 - For Enhanced Recovery and Saltwater Disposal wells, draw a 1/4 mile radius circle around the proposed well, spot all other wells (plugged or unplugged) that intersect the proposed injection zone(s), and put the permit number of each well over the spot.
- NOTE: Please show the entire 1/4 mile radius around proposed Class II wells AFFECTED AREA

SURVEYORS' NOTES

Well Name	Davis et al #CU-1
Location	SE/4, SW/4, SE/4 SEC. 31, T1N, R8W
Lease Area	
Ground Elevation	462

SURVEYORS' SEAL



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6
T1S, R8W

R 8 E or W

CERTIFICATION

I hereby certify that to the best of my knowledge and belief, the proposed location of the above described well, fixed as a result of an instrument survey made by me in compliance with the requirements of the laws of Indiana, is truly and correctly set forth hereon.

Signature of registered Indiana land surveyor	<i>Bi Resenbeck</i>	Date signed (mm,dd,yyyy)	05-11-2010
Address (Street or PO, City, State, Zip)	A to B Surveying, LLC 26 N. 5th Street Vincennes, IN 47591	Telephone number	(812) 882-0476

Special Part VII Requirements

- You should adjust the location of the center of the section on the diagram so that the entire set of information in the General Instructions shows on a single survey plat. (Example: If a horizontal well will begin in one section but terminate in another you should move the section center point so that portions of both sections appear on the plat)
- This form must contain an original signature and original seal. Additional wells plotted by Fred D. M^cCrory for F.D. M^cCrory Operator, Inc.

for F.D. M^cCrory Operator, Inc.

EXHIBIT "C"COMMISSION ORDER01/002
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Division of Oil & Gas

Comes now the partnership of Ellis, Morrison & Bement by Gail A. Morrison, Cox Drilling Company by A. G. Wickersham, vice-president; the Murphy Oil Company of Pennsylvania by Louis A. Bristol, vice-president, and on December 2nd, 1947, file their verified petition with this Commission requesting five acre spacing for sandstone oil well in the following area of Pike County, Indiana, to wit:

All of Township 1 North, Range 9 West, Clay and Madison Townships, Pike County, Indiana.

Comes now A. C. Colby, chief of the Oil and Gas Division of this Department of Conservation and files proof of publication of notices with reference to a public hearing on said petition and proof of the mailing of notices to more than fifteen (15) well known oil dealers and operators of a public hearing on said petition at 10:30 A. M. in the office of the Director of Conservation on December 19th, 1947, which proof of publication of notice and mailing of notices are as follows: (H.I.)

And now on this 19th day of December, 1947, a petition heretofore referred to comes before this Commission for hearing and there being no objections to granting of said petition and the Commission after hearing evidence on the merits of said petition does herein make the following order on said petition:

It is now ordered, adjudged and decreed that an exception to the rules and regulations concerning the spacing of oil wells heretofore made and promulgated by this Commission be granted as follows: That in all of Township 1 North, Range 9 West, Clay and Madison Townships, Pike County, Indiana, in the drilling of sandstone wells it shall be lawful to space wells 220 feet from any lease line, property line, or subdivision which separates unconsolidated property interests, and 440 feet from any drilling or producing well. This exception applies only to sandstone production above

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the McClosky limestone. Wells that may be drilled hereafter offsetting wells which have been drilled prior to this order are not excepted and must conform to the regular spacing rules and regulations of 330 feet from property lines and not less than 660 feet from any drilling or producing well. The foregoing exception is made only for the reason as adduced in the evidence of certain extraordinary and peculiar geologic conditions and will apply strictly and only to the area as set out in this order.

This order signed and ordered effective this _____ day of January, 1948.

Lisle L. Wallace, Chairman

Wm. J. Scheidler

Earl W. Merry

Attest

Director

BCK:g

