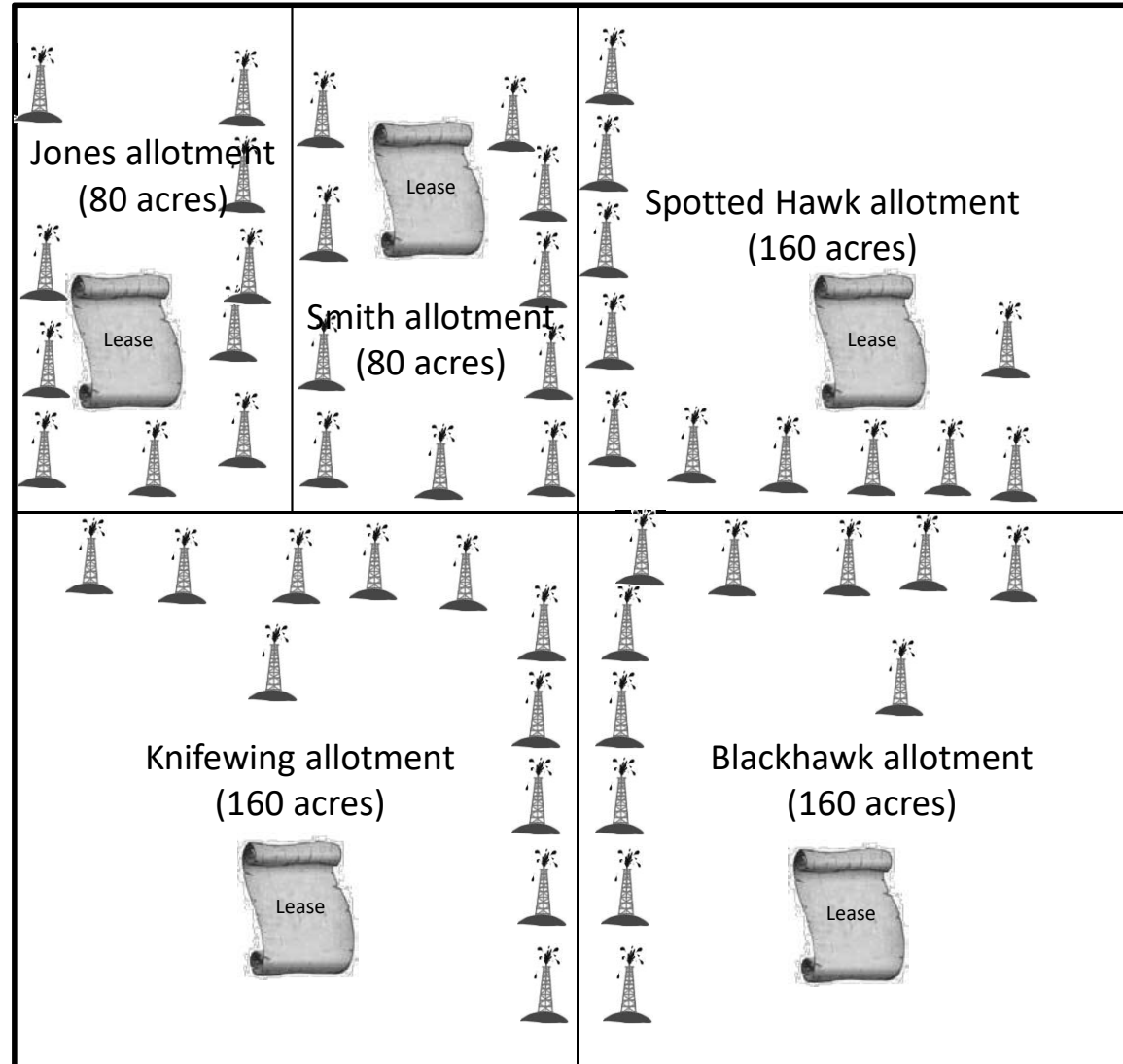


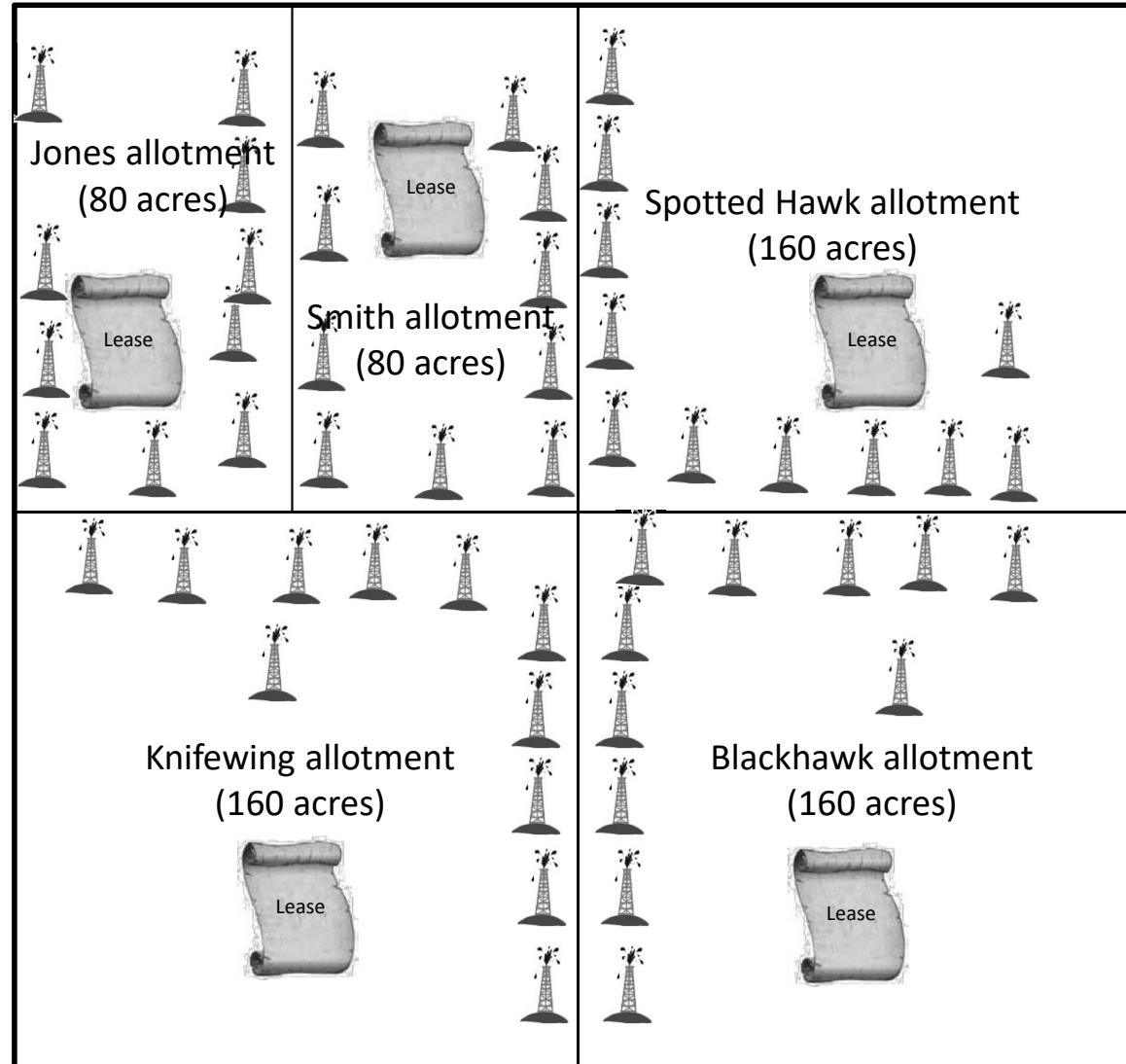


Not only are the wells expensive to drill, this dense drilling pattern results in something called “hydraulic discontinuity”...



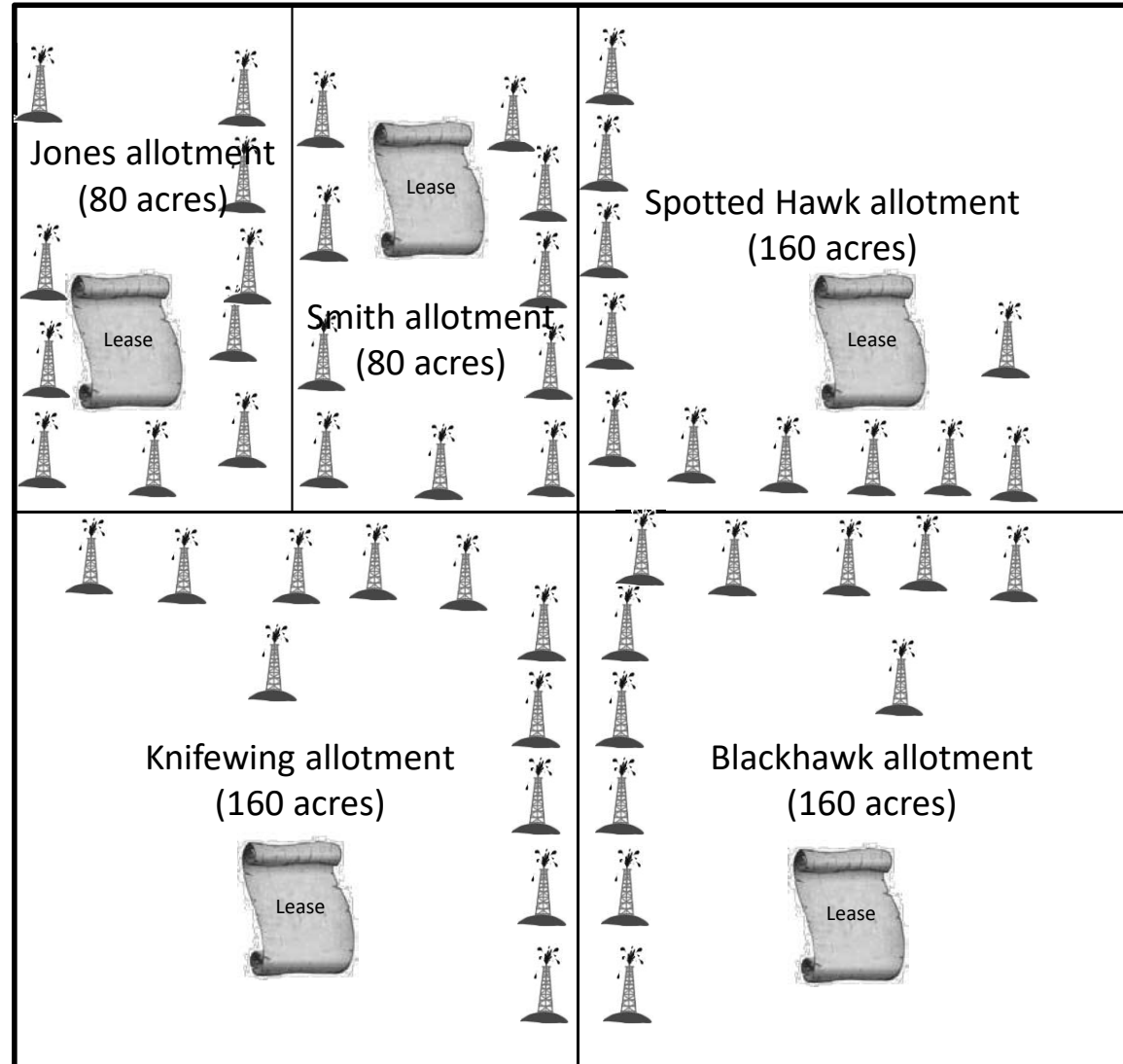


Hydraulic discontinuity is when pumping the pool too hard causes a reduction in the recovery percentage



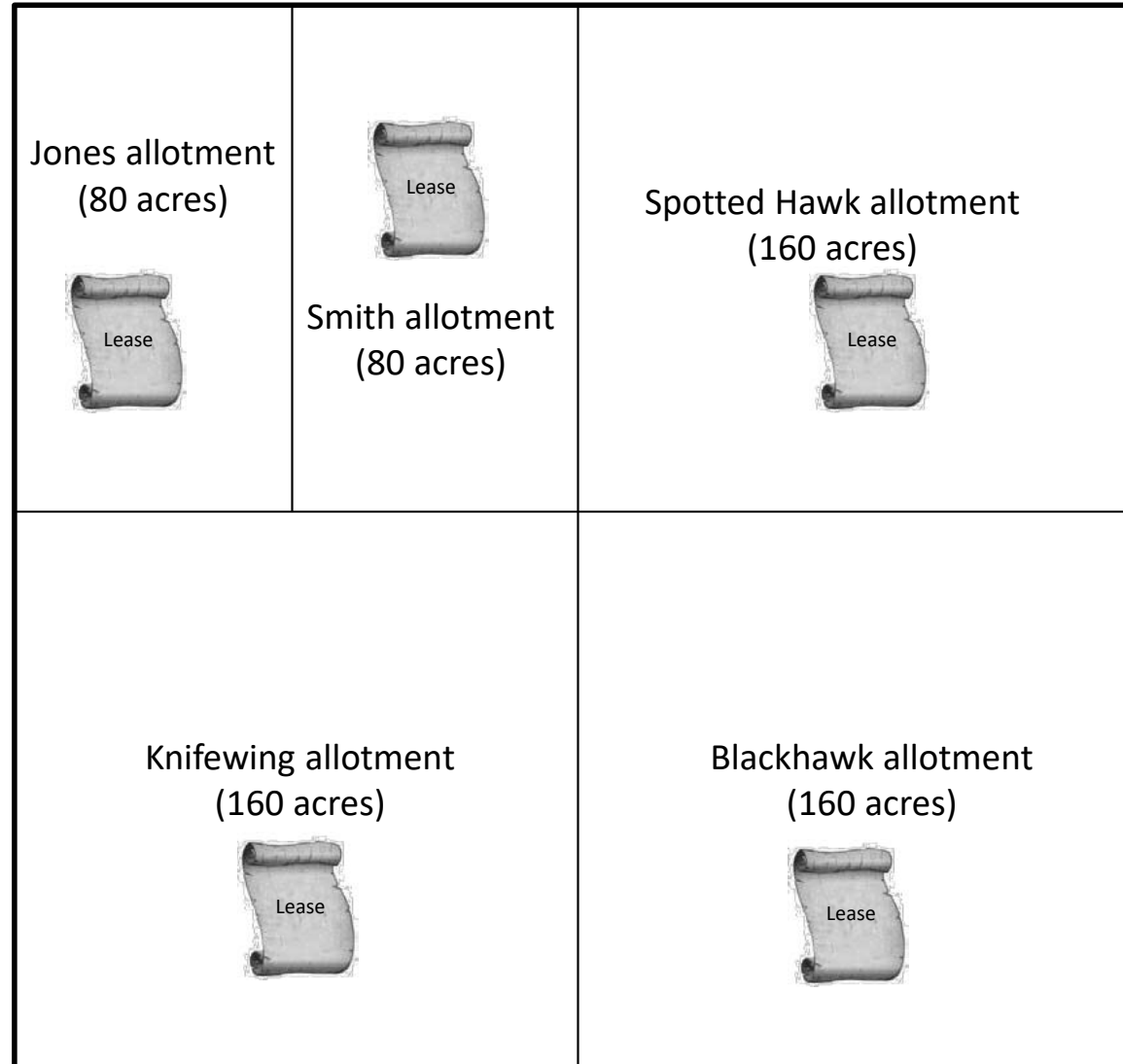


The powers of the day sought a more efficient development scheme and so came correlative rights and communitization



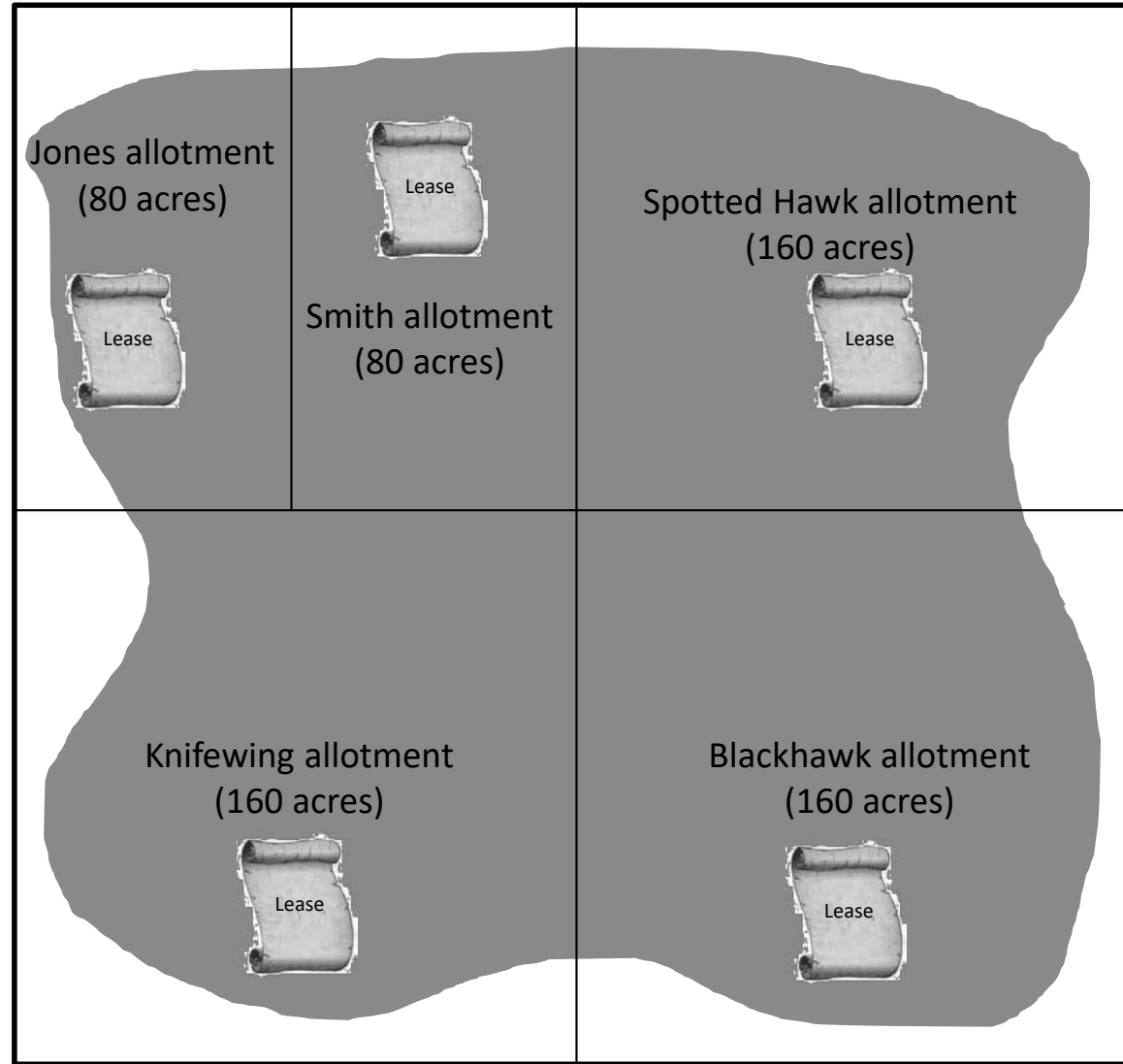


Correlative rights and communitization start here,
before all the crazy wells are drilled



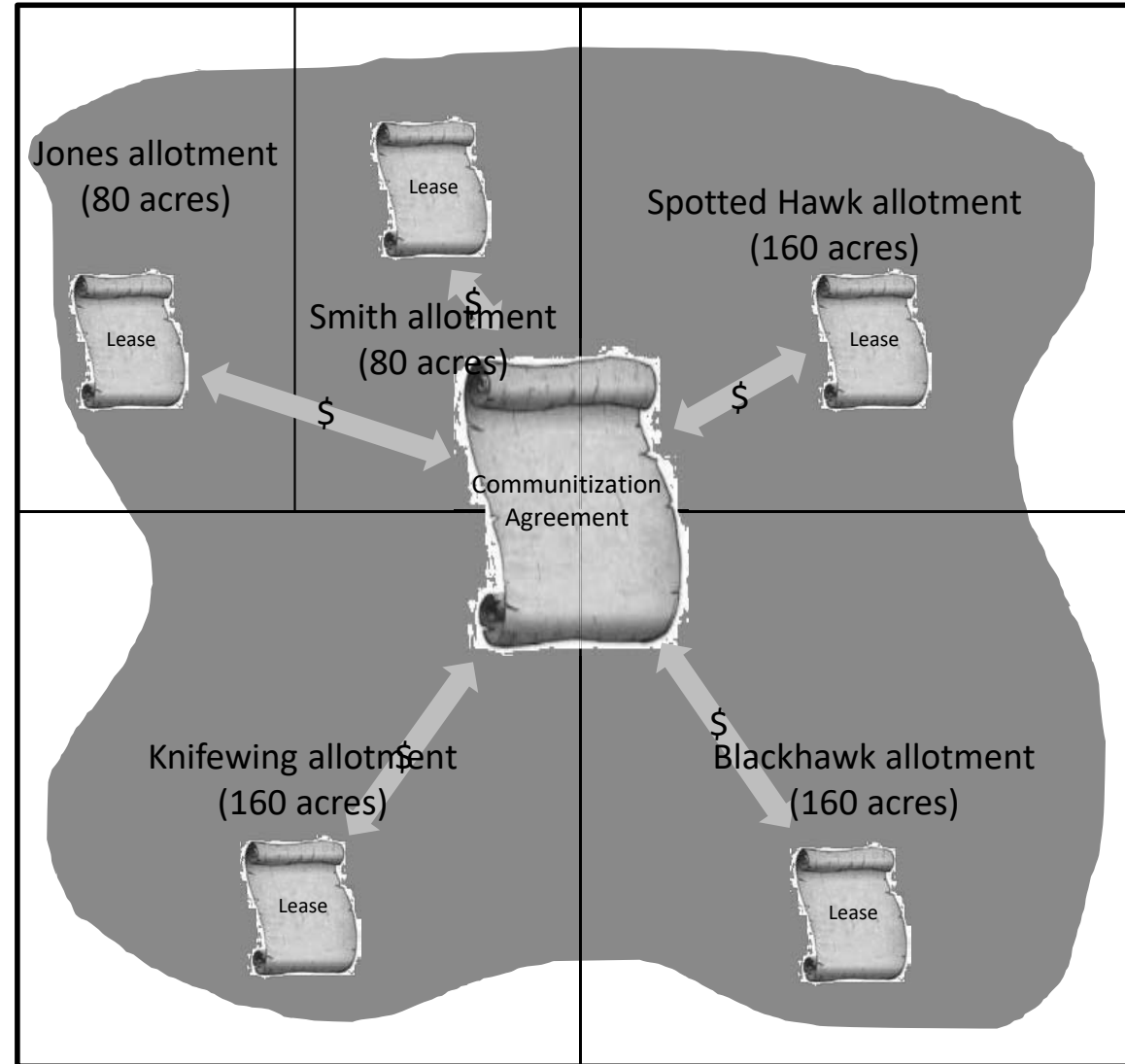


Correlative rights recognizes that an oil pool underlies the community's land, and that all owners have rights to share in the profit thereof



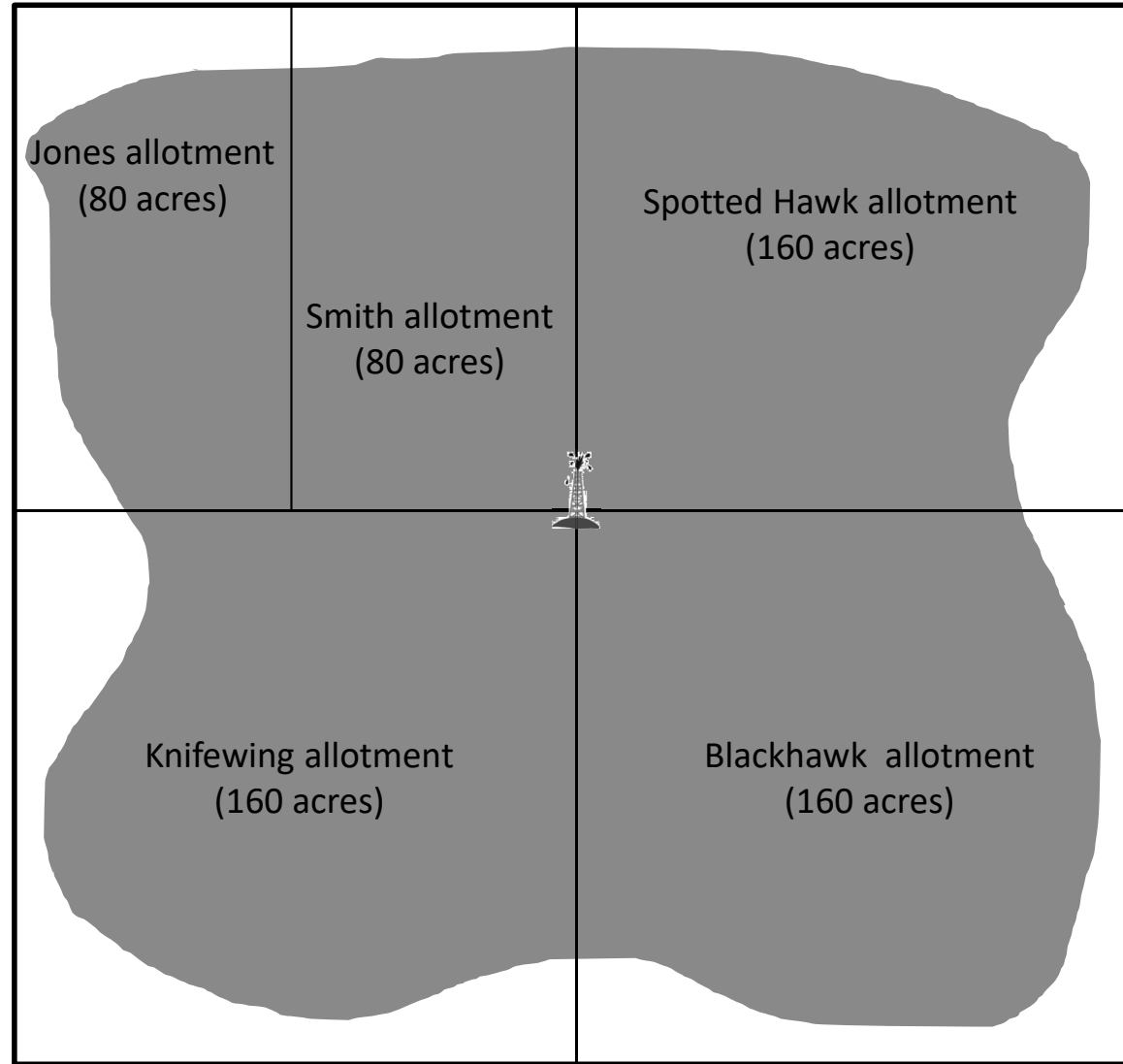


A communitization agreement is established that ties all the individual leases together and defines how revenues will be shared among them



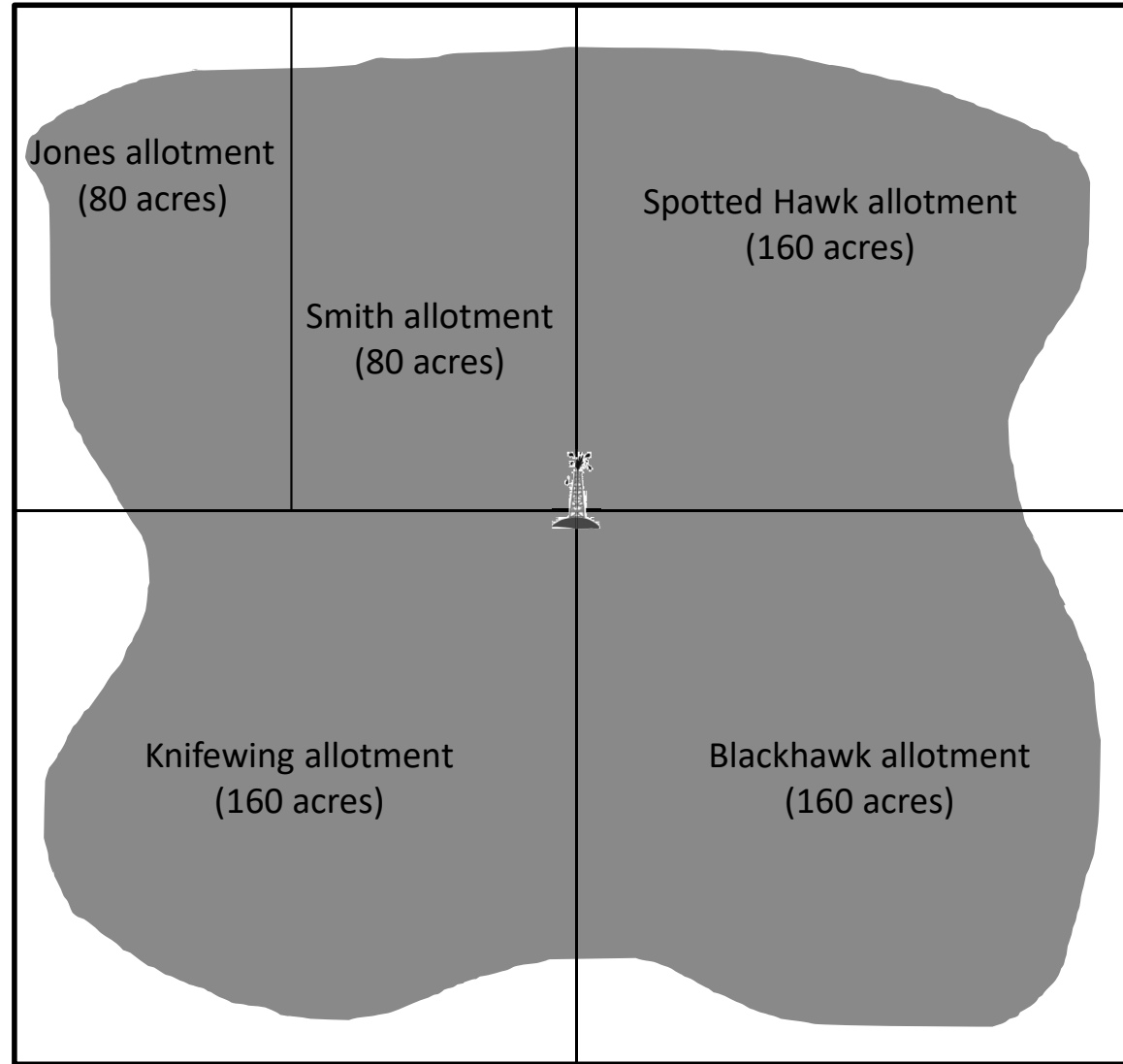


Now we don't need all the protective, rule-of-capture wells because the CA dictates terms of revenue sharing.





The cost of development drops dramatically (orders of magnitude), recovery percentages are maximized, and...





Environmental effects are minimized, as seen in this single modern pump jack with subdued paint, noise control, erosion mitigation...





State Spacing Orders





The communitization agreement (CA) typically defines individual revenue share as an acreage-based pro rata calculation

Jones allotment (80 acres)	Smith allotment (80 acres)	Spotted Hawk allotment (160 acres)			
Knifewing allotment (160 acres)		Blackhawk allotment (160 acres)			
			Owner	Owner Acreage	Total CA Acreage
		Jones	80	640	0.125
		Smith	80	640	0.125
		Spotted Hawk	160	640	0.25
		Knifewing	160	640	0.25
		Blackhawk	160	640	0.25

