

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

APPLICANT: MEWBOURNE OIL COMPANY)
)
RELIEF SOUGHT: POOLING) CAUSE CD NO. 200604826
)
LEGAL DESCRIPTION: SECTION 1, TOWNSHIP 20)
NORTH, RANGE 24 WEST,)
ELLIS COUNTY,)
OKLAHOMA)



PROPOSED SUBSEQUENT OPERATIONS PROVISIONS

1. Subsequent Operations.

1.1 Proposed Operations. This section shall apply to any additional wells which are proposed to be drilled on the Unit for the purposes of testing one or more of the Spaced Formations, as well as any well which an owner proposes to plug back, deepen, sidetrack or re-work in one or more of the Spaced Formations. The term "sidetrack" as a subsequent operation shall not include or cover any sidetrack operation in a well when said sidetrack operation is conducted only to straighten the hole or to drill around junk in the hole or to overcome mechanical difficulties. Those types of sidetracking shall be conducted at the discretion of the operator and shall be binding upon all participating owners. (The term "Spaced Formations" shall refer to the common sources of supply which are pooled by this order.) This section shall provide for a manner and method for owners who had participated in the drilling of all previous wells, including the initial unit well which is the subject of this order, to participate in the subsequent operations. Once an owner has elected not to participate in the drilling of a well, including the non-participation in the initial unit well which is the subject of this order, that owner shall no longer be entitled to participate in any subsequent operations. Should a party who has participated in all previous wells drilled on the Unit pursuant to the order desire to drill an additional well on the Unit or to re-work, deepen, sidetrack or plug back an existing well on the Unit, such party shall give written notice to all owners who have participated in all previous operations of the proposing party's desire to drill, re-work, deepen, sidetrack or plug back such a well, specifying the work to be performed, the location, the proposed depth, objective formation, and including a written estimated cost of the operation (A.F.E.). The parties receiving such notice shall have 30 days after receipt of same within which to notify the proposing party, in writing, whether the recipients elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to re-work, deepen, sidetrack or plug back may be given by telephone or telecopy and the response period shall be limited to 48 hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply within the period above fixed, shall constitute an election by that party not to participate in the cost of the proposed operation. Provided, however, without the written consent of all then participants in the well, no well which is then producing in commercial quantities may be re-worked, plugged back, sidetracked or deepened. Provided, further, in the event a well is then producing on the Unit from one or more of the Spaced Formations, an additional well to be produced from the same producing Spaced Formation may not be proposed until such time as the Corporation Commission has issued a final order authorizing such increased density well. Provided, further, no well may be proposed to be drilled at an off-pattern location for the Unit until the Corporation Commission has issued a final order authorizing such location exception.

1.2 Payment or Securing of Well Costs by Consenting Parties. Any owner who timely elects to participate in any proposed operation, as referred to in the preceding paragraph, within 10 days after expiration of the notice period of 30 days shall pay the then designated unit operator such owner's pro rata share of the estimated costs, as set out in the A.F.E. which was included with the notice, or, in lieu of such payment, furnish security, satisfactory to the operator, for such owner's share of such estimated costs. In the event any owner who makes a timely election to participate fails, within said period of 10 days, to either pay such owner's pro rata share of the estimated costs or to furnish security satisfactory to the operator for such owner's share of such costs, such owner's election to participate shall be considered void and such owner shall be treated as if he or it had made no election, as set forth in paragraph 1.3 below. Provided, in the event the drilling

rig is on location, any owner who timely elects to participate in the re-work, sidetrack, recompletion, plug back or deepening shall be firmly obligated to pay his or its share of the estimated costs as such costs are incurred and billed to such electing owner by operator.

1.3 Result of Non-Consent Elections. Any owner who elects, or is deemed to have elected, not to participate in any operation under the terms of this section 1, shall be deemed to have relinquished to the party who proposed the operation his or its interest in the entire Unit, as to the Pooled Formations only, less and except, and reserving to said owner, all interest in the wellbore of any well in which said owner had previously participated, subject to the statutory 1/8th royalty, and reserving unto such owner a proportionate cost-free (except applicable taxes) overriding royalty equaling 1/8 of 8/8 of all production, said fractional overriding royalty to be reduced, however, to absorb any now existing non-operating interest in excess of the normal lessor's royalty. Provided, however, if the proposed operation is for the re-working, deepening, sidetracking or plugging back of an existing well, such relinquishment shall include, rather than reserve, the wellbore of such existing well.

1.4 Commencement of Subsequent Operations. The then designated operator must commence the proposed operation referred to in the preceding sub-paragraphs within 90 days after expiration of the notice period of 30 days. Following commencement of the proposed operation within the time required, the designated operator must complete same with due diligence at the risk and expense of the parties who elected to participate in the proposed operation. If the actual operation has not been commenced within the time provided and if a party still desires to conduct said operation, written notice proposing same must be re-submitted to the same parties in accordance with the provisions hereof as if no prior proposal had been made.