

**BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA**

<u>APPLICANT:</u>	ALTEX ENERGY CORPORATION)
)
<u>RELIEF SOUGHT:</u>	POOLING)
) Cause CD No. 200700036
<u>LEGAL DESCRIPTION:</u>	SECTION 11,)
	TOWNSHIP 14 NORTH,) ORDER NO. <u>536804</u>
	RANGE 4 EAST,)
	LINCOLN COUNTY, OKLAHOMA)

FINDINGS AND ORDER

1. **Hearing Date and Place:** 8:30 a.m. on February 5, 2007, Jim Thorpe Building, Corporation Commission, Oklahoma City, Oklahoma, before Administrative Law Judge Mike Porter.

2. **Appearances:** John E. Lee, III, attorney, appeared for Applicant, Altex Energy Corporation; and, Sally Shipley, Deputy General Counsel for Conservation, entered a notice of appearance for the Commission.

3. **Notice and Jurisdiction:** Notice has been given as required, and the Commission has jurisdiction of the subject and the persons. With regard to each Respondent, if any, whose address is listed as unknown in the Application on file in this Cause, but on whom the Applicant was unable to deliver notice because such address is apparently no longer valid, the Administrative Law Judge conducted an inquiry and determined that the Applicant has made a diligent effort to locate the whereabouts of such Respondents using available primary and secondary sources, and by service of publication with regard to such Respondent has been duly and legally made and the Commission, after examining the record and proof of publication, approves the process.

4. **Amendment:** The Applicant moved to dismiss Respondent No. 65, San Antonio Oil & Gas, Inc., a Texas Corporation from the Exhibit "A" attached to the Application on file herein. The Administrative Law Judge granted the Motion.

5. **Relief Requested:** Applicant requested the Commission (a) issue an Order pooling the interests and adjudicating the rights and equities of oil and gas owners in the Hunton common source of supply, underlying all or substantially all of Section 11, Township 14 North, Range 4 East, Lincoln County, Oklahoma, a 640-acre drilling and spacing unit established by Order No. 536520 dated March 8, 2007, as issued in Cause CD No. 200700034; (b) reserve the right to request the Order in this Cause be made effective on a date prior to the date of issuance; (c) name Applicant or some other party as Operator of the Unit Well, of the separate common source of supply, and of the drilling and spacing unit therefore as a unit; (d) pool interests and adjudicate rights and equities in the Unit Well, in the separate common source of supply, and in the drilling and spacing unit therefore on a drilling and spacing unit basis; and (e) provide that the Applicant be given 365 days from the date of the Order in which to commence the Initial Unit Well.

6. **Relief Granted and Election:** The requested relief is granted and the rights and equities of all owners named in Exhibit "A" attached hereto are hereby pooled, adjudicated and determined in the land described in the caption hereof for the common source of supply as indicated:

COMMON SOURCE OF SUPPLY	UNIT SIZE	ORDER NO.
Hunton	640-acre	536520

That each owner, subject hereto, and named in Exhibit "A" attached hereto, may make any of the elections as to all or any part of the interest of such owner in the unit and must give notice as to which of the elections stated in Paragraph 6.1 or 6.2 herein which such owner accepts **within fifteen (15) days** from the date of this Order.

6.1 **Participate:** To participate in the development of the unit and common source of supply by agreeing to pay such owner's proportionate part of the actual cost of the Unit Well covered hereby and by paying, as set out below, to the Applicant, Altex Energy Corporation, such owner's proportionate part of the estimated completed for production costs, or by securing or furnishing security for such payment satisfactory to Altex Energy Corporation, the Applicant, **within twenty (20) days** from the date of the Order as follows:

Estimated Drilling Costs: \$1,664,725.00

Total Estimated Completed
for Production Costs: \$2,084,225.00

PROVIDED, however, that in the event an owner elects to participate in said Unit Well by paying its proportionate part of the costs thereof and fails or refuses to pay or to secure the payment of such owner's proportionate part of the total estimated completed for production costs as set forth herein, or fails or refuses to pay or make an arrangement with Altex Energy Corporation, the Applicant herein, for the payment thereof, all within the periods of time as described in this Order, then such owner shall be deemed to have elected to accept the greatest cash bonus and corresponding royalty as set out in paragraph 6.2 for which the owner's interest qualifies. The payment of such cash bonus shall be made by Altex Energy Corporation, **within thirty (30) days** after the last day of which such defaulting owner, under this Order, should have paid his proportionate part of such costs or should have made satisfactory arrangements for the payment thereof. The payment of all cash bonuses due under this Order shall be made to all Respondents who do not elect to participate by Altex Energy Corporation, **within thirty (30) days** from the date of this Order.

6.2 **Consideration in Lieu of Participation:**

Consideration in Lieu of Participation: Alternative 1

6.2(A) **To accept \$125.00 per acre cash bonus and the statutory 1/8th royalty** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said Unit Well by paying such owner's proportionate part of the cost thereof and when so elected shall be satisfaction in full for all rights and interests of such owner in the Unit Well covered hereby.

6.2(B) **Consideration in Lieu of Participation: Alternative 2**

To accept \$100.00 per acre cash bonus, plus an excess or overriding royalty of 1/16th of 8/8ths in addition to the statutory 1/8th royalty (for a total of 3/16ths royalty) as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said Unit Well by paying such owner's proportionate part of the cost thereof; and when so elected, shall be satisfaction in full for all rights and interest of such owner in the Unit Well covered hereby.

In addition to the foregoing costs and the reasonable costs of operating the Unit Well following completion, the proposed Unit Well is anticipated to produce substantial quantities of saltwater. The produced water will be disposed into a saltwater disposal system infrastructure owned by Applicant or a related company. Participating Respondents should be prepared to pay their proportionate share of saltwater disposal fees, which shall be **fifty cents (50¢) per barrel**. The Commission retains jurisdiction in this Cause to resolve any disputes relating to the costs of disposing of the produced saltwater in this Unit. All fees referred to herein include a reasonable charge for supervision, transportation and disposal. In the event there is a dispute as to Unit Well costs after the Unit Well has been completed, the Commission retains jurisdiction of this Cause for the purpose of re-determining the Unit Well costs.

PROVIDED, however, that any excess royalty, overriding royalty or other payment out of production shall be charged against the overriding or excess royalty, as hereinabove set forth, and same shall be reduced by the amount of any such excess.

PROVIDED, FURTHER, in the event the interest of any owner is subject to any royalty, overriding royalty, or other payments out of production which create a burden on such interest in excess of the burdens set out in paragraph 6.2 (A), the owner of any such interest shall not be entitled to the option provided in paragraph 6.2(A) above, but shall be required to either participate or to accept the option provided in paragraph 6.2(B).

7. **Failure to Elect:** In the event any owner fails to elect within the time and in the manner as set out above, then such owner shall be deemed to have accepted the greatest cash bonus plus the smallest royalty interest for which such owner's interest qualifies, as set out in paragraph 6.2. In the event any owner elects to do other than participate in said well by paying his pro-rata share of the costs thereof, then such owner shall be deemed to have relinquished to Altex Energy Corporation, all of such owner's right, title, interest or claim in and to the Unit, except for any normal 1/8th royalty interest, and any other share in production to which such owner may be entitled by reason of any election, or deemed election, hereunder.

8. **Operator(s):** Altex Energy Corporation, an owner of the present right to drill and produce Hunton hydrocarbons from the Unit, is designated the Operator of the Unit. All elections required in paragraph 6 hereof shall be communicated to Altex Energy Corporation, the Applicant, in writing to P.O. Box 420, Carney, Oklahoma, 74832. All written elections must be mailed and postmarked within the election period as set forth in paragraph 6. Said Operators have a current plugging bond on file with the Commission.

9. **Commencement of Operations:** Operations for the drilling of the Initial Unit Well shall be commenced within 180 days. If any payment of bonus due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within ninety (90) days after this Order and shall not be commingled with any funds of the Operator. All payments of bonuses due and owing under this Order shall be paid by Altex Energy Corporation. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibilities for filing reports with the Commission as required by law and Commission rules as to bonus, royalty or other payments deposited in escrow accounts shall be with the applicable holder. Such funds deposited in said escrow accounts shall be for the exclusive use of and sole benefit of the person entitled thereto. It shall be the responsibility of Altex Energy Corporation, the Operator, to notify all other holders of this provision and of the Commission rules regarding unclaimed monies under pooling orders. If any payment of bonuses due and owing under this Order cannot be made for any other reason, then such bonuses shall be paid into an escrow account, and shall not be commingled with funds of the Operator. Any royalty payments or other payments due to any such person shall be paid into an escrow account by the holder of such funds.

10. **Operator(s) Lien:** Operator(s), in addition to any other rights provided herein, shall have a lien, as set forth in 52 O.S. §87.1(e), on the interest of any owner, subject to this Order, who has elected to participate in the Unit Well covered hereby by paying such owner's proportionate part of the costs thereof.

11. **Special Findings:**

11.1. **Due Diligence:** That Applicant exercised due diligence to locate each of the Respondents subject to this Application and that a bona fide effort was made to reach an agreement with each Respondent and that the Applicant has not agreed with all Respondents in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit common source of supply as a unit; that the Applicant has proposed the drilling of a well on said unit and to develop said common source of supply as a unit; that the Operator, hereinabove named, is an owner of the right to drill on said drilling and spacing unit and to develop and produce said common source of supply.

11.2. **Non-Participants:** The granting of the relief requested by the Applicant shall include the intent of the Applicant to pool and adjudicate the rights and equities of the owners in the tract described herein as to the separate common source of supply set forth above to be tested by the proposed well on a unit basis and not on a borehole basis for any wells drilled as to the separate common source of supply cited herein. That the election not to participate as a working interest in the proposed Initial Unit Well shall operate to foreclose the interests of the Respondents as to elections to participate in any subsequent well that may at some future time be drilled within the subject unit pursuant to this Order; and that the initial election by the Respondents herein shall be binding as to each Respondent, their successors and assigns for the first and all subsequent wells drilled under this Order.

11.3. **Participation in Subsequent Wells:** Only those owners electing to participate in the Initial Unit Well will be allowed to participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected any option contained herein other than participation shall receive no cash consideration for subsequent wells, but shall receive the royalty provided for herein for subsequent wells. In the event the Operator proposes the drilling of a subsequent well, it shall notify those owners who elected to participate in the prior well by certified, registered mail, return receipt requested, of its intent to drill a subsequent well, and said owners will have **fifteen (15) days** from receipt of said notice to elect whether to participate in said subsequent wells or accept one of the options set forth in paragraph 6 above. The notice provided by the working interest participant shall be by certified mail, return receipt requested, and shall include an AFE containing the proposed costs of the subsequent well, and owners electing to participate must pay to the Operator their proportionate share of said costs **within twenty (20) days** from receipt of notice from Operator. Those owners failing to elect in the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have elected not to participate in the subsequent wells and shall thereafter receive the highest cash bonus consideration for which they qualify, under paragraph 6 above for all subsequent wells. Those owners who elect or are deemed to have elected the consideration consisting of cash bonus and royalty consideration under paragraph 6 shall be paid **within thirty (30) days** after the last date on which such owner could have made an election. If the subsequent proposed well is not commenced **within 180 days** of the date of the proposal, the parties will remain in the same position in the unit as if no subsequent well proposal had been made. Anytime an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall not be allowed to participate in future wells drilled on the drilling and spacing unit covered hereby. That the Oklahoma Corporation Commission shall retain jurisdiction to determine the reasonableness of the well costs proposed by any working interest participant for subsequent wells.

12. **Filing of Affidavits:** That the Applicant or its attorney shall file with the Secretary of the Commission, **within ten (10) days** of the date of this Order, an affidavit stating that a copy of said Order was mailed **within three (3) days** from the date of this Order to all parties pooled by this Order, whose addresses are known.

13. **Conclusion:** The relief requested is necessary to prevent or assist in preventing the various types of wastes of oil or gas prohibited by statute, or any said waste, 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.**

CORPORATION COMMISSION OF OKLAHOMA

Jeff Cloud

JEFF CLOUD, Chairman

Denise A. Bode

DENISE A. BODE, Vice Chairman

Bob Anthony

BOB ANTHONY, Commissioner

DONE AND PERFORMED THIS 15 DAY OF March, 2007.

BY ORDER OF THE COMMISSION:

Peggy Mitchell

PEGGY MITCHELL, Commission Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings and order are the report and recommendations of the Administrative Law Judge.

APPROVED:

Michael Porter

Mike Porter, Administrative Law Judge

12 March 2007

Date

Paul E. Porter

Reviewer

March 14, 2007

Date

EXHIBIT "A"

Respondents With Known Addresses:

1. Alice G. King Trust dated 11/19/1993, Alice G. King, Trustee
P.O. Box 198
Tahlequah, OK 74465
2. Ann Ellison, aka Anne Ellison, Heir of Charles Donald Ellison, Jr. Estate
c/o Crown Reserves, Inc.
P.O. Box 720146
Norman, OK 73070
(Last Known Address)
3. Annie L. Conrad Estate
c/o James Conrad Hart
324 South Oak
Chandler, OK 74834
4. Bernice Daniels Gordon
2827 West Stiles Street
Philadelphia, PA 19121-4545
5. Brian M. Kent
c/o Marguerite R. Ruegsegger
Rt. 1
Malad City, ID 83252
(Last Known Address)
6. Brian M. Kent
c/o Ruth R. Mohler
835 26th Street
Ogden, UT 84401-2521
(Last Known Address)
7. Carroll T. Reeves, Jr.
Rt. 4, Box 270 B
Bowie, TX 76230
(Last Known Address)
8. Dan A. Erwin
118 West 8th Street
Chandler, OK 74834
9. David M. Erwin
140 Palm Ave. #3
San Francisco, CA 94118
(Last Known Address)
10. Dorothy E. Speakman Revocable Trust dated 03/05/2001, Dorothy E. Speakman, Trustee
1502 E. Lincoln Avenue
Sapulpa, OK 74066-4858
11. Dr. Charles Smith
2948 Carolina Avenue SW
Roanoke, VA 24014-3204
(Last Known Address)
12. Elizabeth A. Dunn
Rt. 2, Box 560
McLoud, OK 74851
(Last Known Address)
13. Elizabeth Reeves Poulson Reames
809 Discovery #7
San Marcos, CA 92069
(Last Known Address)
14. Eugene E. Cornish & Pauline E. Cornish, H/W,
J/T
Rt. 4, Box 491
Chandler, OK 74834
(Last Known Address)
15. First Assembly of God Church of Chandler
Oklahoma
2100 East 1st Street
Chandler, OK 74834-9503
16. Frederick Bruce Speakman
502 Edgerton
Pittsburg, PA 15208
(Last Known Address)
17. Garland L. Wayland, Jr. & Vivian Ann
Wayland, H/W, J/T
1523 Timberlake Drive
Chandler, OK 74834-9533
18. Guy L. Berry, Jr.
309 Moccasin Bluff
Sapulpa, OK 74066-4700
19. Helen Jane Curry
3838 NW 6th Street
Oklahoma City, OK 73116
(Last Known Address)
20. James D. Berry
4328 Fairfax Avenue
Dallas, TX 75205-3027
21. James M. Stevens, Successor of Laura Elizabeth
Stevens Estate
Rt. 2, Box 61 A
Tecumseh, OK 74837
22. Janelle Reese Stafford
8 Bingham Circle
Shawnee, OK 74804
23. Jeanette Ellison Cook, Heir of Charles Donald
Ellison, Jr. Estate
c/o Crown Reserves, Inc.
P.O. Box 720146
Norman, OK 73070
(Last Known Address)

24. Jesse Smith, Successor to R. Reeves Smith Estate
5515 Glen Lakes Drive
Dallas, TX 75231-4309
25. Jimmy E. Stevens, Successor of Laura Elizabeth Stevens Estate
1808 Morgan Road
Harlingen, TX 78550
(Last Known Address)
26. Joan W. Peters, Successor to Philip Watson Estate
1121 East Polk
Harlingen, TX 78550
(Last Known Address)
27. Jock P. R. Campbell, aka Jock Campbell, Heir of R.B. Brown Estate
2210 Carriage Drive
Estes Park, CO 80517-7142
28. Joe A. Crall & Laura Ellen Crall Revocable Living Trust, Joe A. Crall & Laura Ellen Crall, Trustees
16206 Patterson Road
Shawnee, OK 74801-3950
29. Judith E. Brennan
2515 Community Drive
Dallas, TX 75220-5514
(Last Known Address)
30. Linda Osmus
401 East 10th Street
Edmond, OK 73034
31. Loren Tyner Lamb Estate
c/o Floyd M. Melton, Jr.
P.O. Box 534
Greenwood, MS 38935
32. Loren Tyner Lamb Estate
c/o Molly Catherine Lamb
P.O. Box 534
Greenwood, MS 38935
33. Lt. Col. Philip A. Watson, Successor to Philip Watson Estate
5619 La Plaza Circle
Harlingen, TX 78552-8909
34. Macdonald 1996 Revocable Trust dated 01/11/96, Alexander Macdonald II and Augusta G. Macdonald, Trustees
P.O. Box 5870
Ketcham, IN 83340
35. Marcella Knight
P.O. Box 167
Davenport, OK 74026
36. Mary E. Reeves Hogue
Rt. 4, Box 356
Kingston, TN 37763
(Last Known Address)
37. Mary Josephine Rector Trust, Mary Josephine Rector, Trustee
Rt. 4, Box 553
Broken Arrow, OK 74014
38. Mary Margaret Bridgers & Walter Moore Bridgers, H/W
161 Pine Lake Drive
Whispering Pines, NC 28327
39. Melissa Berry Minty
3907 Morrison Circle
Norman, OK 73609
40. Miriam Smith Kennedy
6608 Bellrose No. 47
El Paso, TX 79925
(Last Known Address)
41. Mitchell Royalty, a Limited Partnership
Rt. 2, Box 10-A
Haskell, OK 74436
42. Molly Catherine Lamb Trust
c/o Floyd M. Melton, Jr., Trustee
P.O. Box 534
Greenwood, MS 38935
43. Paul D. Erwin, Jr.
1712 Westminster Place
Oklahoma City, OK 73120-1002
44. Richard Brewer, aka Rev. Richard E. Brewer
6606 E. 99th Place
Tulsa, OK 74133-6225
45. Richard M. Walter
P.O. Box 175
Guthrie, OK 73044
46. Richard P. Mohler
3941 Coronado Way
San Bruno, CA 95066-1011
47. Robert Lee Hart
1 Windridge
Beeville, TX 78102
(Last Known Address)
48. Ruth Reeves Brady
Rt. 1, Box 398
Dover, AR 72837
(Last Known Address)
49. Sapping Energy Interests, Ltd.
P.O. Box 19160
Houston, TX 77224

50. Sewell Family Minerals, LLC, an Oklahoma Limited Liability Company
c/o First Bank & Trust Company
501 Frisco
Clinton, OK 73601-3441
51. Suzanne C. Ressler, Heir of R.B. Brown Estate
10500 Rockville Pike, Unit 1215
Rockville, MD 20852-3349
52. Theodore L. Mohler, aka Ted Mohler
12822 North 111th Drive
Youngtown, AZ 85363-1002
53. Thomas C. Andrews Estate, aka Tom Andrews Estate, Francis Emogene Andrews, Successor
4715 Hwy 247
Tuscumbia, AL 35674
54. Tom Rice, Guardian of William A. Rice
1264 Maris Court
Naperville, IL 60540
(Last Known Address)
55. Tower Royalty Company, LLC, an Oklahoma Limited Liability Company
P.O. Box 54338
Oklahoma City, OK 73154
56. Treva Lee Lindsey Living Trust dated 06/09/1997, Treva Lee Lindsey & Gerald B. Lindsey, Trustees
3308 East Hickory Lane
Chandler, OK 74834
(Last Known Address)
57. Verna Mae Naifeh
1131 Melinda Road
Sapulpa, OK 74066-5831
58. Verna Mae Naifeh Living Trust dated 12/08/89, Verna Mae Naife & Monroe A. Naifeh, Trustees
1131 Melinda Road
Sapulpa, OK 74066-5831
59. Walter Investment Group, LLC, an Arizona Limited Liability Company
16043 Meadow Lane
Stillwell, KS 66085
60. Chernicko Exploration, Inc.
1307 S. Boulder Avenue, Ste. 400
Tulsa, OK 74119
61. David J. Chernicky Trust
1307 S. Boulder Avenue, Ste. 400
Tulsa, OK 74119
62. Milbrae Natural Gas Development Fund 2005, LP
8177 S. Harvard Ave., #634
Tulsa, OK 74137-1600
63. New Dominion, LLC
1307 S. Boulder Avenue, Ste. 400
Tulsa, OK 74119
64. North Salem Acquisition & Development Fund 2005, LP, a Delaware Limited Partnership
8177 S. Harvard Ave., #634
Tulsa, OK 74137-1600
65. San Antonio Oil & Gas, Inc., a Texas Corporation
7744 Broadway St., Suite 209
San Antonio, TX 78209
DISMISSED
66. Scintilla, LLC
1307 S. Boulder, Ste. 400
Tulsa, OK 73119

Respondents With Unknown Addresses:

- | | |
|---|--|
| 67. Anna Beth Reeves Eubanks
(Address Unknown) | 80. Peggy Reeves Neilson
(Address Unknown) |
| 68. Betty Denyer Trust Under the Will of Hillard E. Denyer, Deceased
(Address Unknown) | 81. Philip Watson Estate
(Address Unknown) |
| 69. Blanche Daniels Sarter
(Address Unknown) | 82. R. B. Brown Estate
(Address Unknown) |
| 70. Edward Earl Hart Estate
(Address Unknown) | 83. R. Reeves Smith Estate
(Address Unknown) |
| 71. George R. Mohler Estate
(Address Unknown) | 84. R. Robert Reeves
(Address Unknown) |
| 72. Harriet Chappell, a Widow, Heir of C.E. Chappell Estate
(Address Unknown) | 85. Richard B. Reeves
(Address Unknown) |
| 73. Jack W. Reeves
(Address Unknown) | 86. Ruby Smallwood
(Address Unknown) |
| 74. Jane Reeves Falk
(Address Unknown) | 87. Ted S. Reeves
(Address Unknown) |
| 75. Lane Wamsley
(Address Unknown) | 88. Thomas C. Andrews Estate, aka Tom Andrews Estate
4715 Hwy 247
Tuscumbia, AL 35674 |
| 76. Leona Daniels Grant
(Address Unknown) | 89. Thomas E. Chappell, Heir of C.E. Chappell Estate
(Address Unknown) |
| 77. Mabel Daniels
(Address Unknown) | 90. Virginia R. See 1983 Revocable Trust UAD 08/22/1983, Virginia R. See, Deceased, Trustee
(Address Unknown) |
| 78. Mary Ann Chappell, Heir of C.E. Chappell Estate
(Address Unknown) | |
| 79. Maxine Young Estate
(Address Unknown) | |