

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: LEATHERNECK ENERGY)
GROUP, INC.)
))
RELIEF SOUGHT: POOLING)
) CAUSE C. D. NO. 200703627-T
LEGAL DESCRIPTION:)
) ORDER NO. **542459**
NW/4 SW/4 OF SECTION 22,)
TOWNSHIP 15 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA.)

ORDER OF THE COMMISSION

THIS CAUSE came on for hearing before Curtis M. Johnson, Administrative Law Judge for the Corporation Commission of Oklahoma, on June 26, 2007, at 8:30 a.m., in the Commission Courtroom, 440 S. Houston, Tulsa, Oklahoma, pursuant to notice given as required by law and the Rules of the Commission for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission.

Lee I. Levinson, attorney appeared for the Applicant, Leatherneck Energy Group, Inc., and Sally Shipley, Assistant General Counsel for Conservation, filed her notice of appearance on behalf of the Corporation Commission.

The Administrative Law Judge heard this cause and filed his report with the Commission, which report has been considered, and the Commission, therefore, finds as follows:

FINDINGS

1. That this is an application of Leatherneck Energy Group, Inc. for an order pooling interests and adjudicating rights and equities of oil and gas owners for the Red Fork, Bartlesville, Taneha (Booch), Dutcher, Union Valley, Mississippian, Viola, Simpson and Arbuckle common sources of supply underlying the NW/4 SW/4 of Section 22, Township 15 North, Range 11 East, Okmulgee County, Oklahoma.

2. That the commission has jurisdiction over the subject matter herein and that notice has been given in all respects as required by law and the rules of the Commission.

3. That the Booch common source of supply refers to the Taneha (Booch) as shown in the application.

4. That the NW/4 SW/4 of Section 22, Township 15 North, Range 11 East, Okmulgee County, Oklahoma is a 40 acre drilling and spacing unit for the Red Fork, Bartlesville, Booch, Dutcher, Union Valley, Mississippian, Viola, Simpson and Arbuckle common sources of supply and was established by Oklahoma Corporation Commission Order No. 541948.

5. That Leatherneck Energy Group, Inc. is the owner of the right to drill wells on said drilling and spacing unit and to develop and produce said common sources of supply, and that the Applicant has exercised due diligence and made all necessary investigations and searches as required by law including but not limited to checking and reviewing all primary and secondary sources to locate each of the respondents set forth on Exhibit "A", and has made a bona fide effort to reach an agreement with each respondent who could be located as to the development for each common source of supply in such drilling and spacing unit. That the Commission should pool the interest of each of these interest owners as set forth on Exhibit "A", in order to develop the respective drilling and spacing unit and the Commission should issue an order requiring such owners to pool and develop the drilling and spacing unit and each common source of supply covered hereby.

6. That Leatherneck Energy Group, Inc. has proposed the drilling of a well in the NW/4 SW/4 of Section 22, Township 15 North, Range 11 East, Okmulgee County, Oklahoma to test the Red Fork, Bartlesville, Booch, Dutcher, Union Valley, Mississippian, Viola, Simpson and Arbuckle common sources of supply all to a depth of approximately 3,000 feet which is sufficient to test all of the common sources of supply set forth herein, and that to protect correlative rights, all owners should be required to pool and develop the unit and common sources of supply covered hereby as a unit, under the terms and conditions as set out in the "Order" below, all of which are found hereby, after a consideration of the substantial evidence in this cause, to be just and reasonable and will afford each owner in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production from the unit.

7. The Operator of the unit well to be designated by this order is the Applicant, Leatherneck Energy Group, Inc., who has a current surety agreement and operator's bond with the Oklahoma Corporation Commission and that the Applicant is a recognized operator and has the right to drill the proposed well herein.

8. That the Applicant, Leatherneck Energy Group, Inc. intends to pool the interest of the owners in the unit on a unit basis.

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9. That in the interest of the prevention of waste and the protection of correlative rights, this Application should be granted, and the rights of all owners pooled and adjudicated.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That Leatherneck Energy Group, Inc. proposed the drilling of a well in the NW/4 SW/4 of Section 22, Township 15 North, Range 11 East, Okmulgee County, Oklahoma, on a 40 acre drilling and spacing unit to test the Red Fork, Bartlesville, Booch, Dutcher, Union Valley, Mississippian, Viola, Simpson and Arbuckle common sources of supply and to develop said unit and each common source of supply thereunder as a unit, and the rights and equities of an oil and gas owner covered hereby are pooled, adjudicated and determined.

2a. That the estimated well costs are:

Completed as a dry hole - \$105,695.00
Completed for production - \$229,488.00

2b. **Each Respondent shall have the right within fifteen (15) days to elect to accept \$50.00 per acre plus 3/16 royalty interest as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof;** such cash bonus shall be paid within thirty (30) days from the date of this Order and when so paid shall be satisfaction in full for all rights and interest of such owner in the well covered hereby;

3. That any owner of the right to drill in said drilling and spacing unit who has not agreed with the Applicant, to develop said unit and common sources of supply shall be accorded the following election as to all or any portion of his interest.

3a. To participate in the development of the unit and common sources of supply and all parties who elect to participate under this order shall be required to pay to the Operator named

herein its estimated share of the completed for production cost set forth in paragraph 2(a) above; in all events, such owner's cost in said well shall not exceed its proportionate part of the actual or reasonable costs thereof which shall be determined by the Commission in the event there is a dispute as to such costs. The payment of such owner's proportionate part of the completed for production cost for said well to the Operator shall be accomplished within twenty (20) days from the date of this Order. In order to participate under the terms and conditions of this Order, a failure to make an election or failure to pay the completed production costs to the Operator in the twenty day period prescribed herein, shall be deemed an election not to participate and such party shall be deemed to have elected under the terms and conditions of paragraph 2(b).

3b. To elect to receive the cash bonus plus share of production as set out in paragraphs 2(b) of this Order; however, if the Respondent does not elect the alternative set out in paragraph 2(b) within the fifteen (15) day election period, he shall be deemed to have accepted the cash bonus plus share of production as set out in paragraph 2(b) above which cash bonus specified by this Order shall be paid or tendered by the Operator if the same can be paid or tendered within thirty (30) days from the date of this Order, or for all other bonuses to be paid under the terms of this order, or if the same cannot be paid or tendered, a fund therefore created for the use and benefit of any owner accepting, or deemed to have accepted, such cash bonus, plus its share of production.

4. That each owner of the right to drill in said drilling and spacing unit in the common sources of supply covered hereby who has not agreed to develop said unit as a unit, other than Applicant, should be required to elect as to all or any portion of his interest as to which of the alternatives set out in paragraph 3 above, such owner accepts, in writing, within fifteen (15) days from the date of this Order; in the event any owner fails to elect, in the time and in the manner as set out above, which of the alternatives set forth in paragraph 3 the owner accepts, then such owner shall be deemed to have accepted the cash bonus, plus the share of production, as set out in paragraph 2(b) above.

5. That Operator, in addition to any other rights provided herein, shall have a lien as set out in 52 O.S. §87.1(d) 1971, on the interest of any owner, subject to this Order, who has elected to participate in the well covered hereby, by paying such owner's proportionate part of the dry hole and completed costs as set out in paragraph 2(a) above. Further, any owner who fails or refuses to pay the Operator for the payment of the costs stated herein pursuant to the periods of time as prescribed in this Order, shall be deemed to have accepted the cash bonus, plus the share of production, as set out in paragraph 2b above. Thereupon, the payment of such cash bonus shall be made by Operator within thirty (30) days after the last day on 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.

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6. If any payment of bonus, royalty payments or other payments due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus, royalty payments or other payments shall be paid into an escrow account in a financial institution within ninety (90) days after the date of this Order and shall not be commingled with any funds of the Applicant Leatherneck Energy Group, Inc. Provided, however, that the Commission shall retain jurisdiction to grant to financially solid and stable holders an exception to the requirement that the funds be paid into an escrow account with a financial institution and permit the holder to escrow such funds within the holder's organization. Responsibility for filing reports with the Commission as required by law and the Commission rule as to bonus royalty or other payments escrowed hereunder shall be with the applicable holder. Such escrowed funds shall be held for the exclusive use of, and the sole benefit of, the person entitled thereto. It shall be the responsibility of the Applicant, Leatherneck Energy Group, Inc. to notify all other holders of this provision and of the Commission rules regarding unclaimed monies under pooling orders.

7. Leatherneck Energy Group, Inc.
15851 Dallas Parkway, Suite 105
Addison, TX 75001

is designated Operator of the unit well and the common sources of supply covered hereby and all elections shall also be communicated to said Operator at the address above as required in this order.

8. If, subsequent to the drilling of the initial unit well provided for herein, Operator shall propose another well in the drilling and spacing units covered hereby under the plan of development established by this Order, Operator shall send written notice of the proposed subsequent well to each party who timely and properly elected to participate, and who perfected their election to so participate, in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development. The written notice shall be sent by certified mail to the last known address of each respondent and shall contain a brief description of the proposed subsequent well. The notice shall also include the estimated costs of the well as a dry hole and as a producing well. Each party entitled to the above described written notice shall have fifteen (15) days after receipt of the notice in which to elect, in writing, to the Operator whether or not to continue to participate in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established by this Order as to the proposed subsequent well or in lieu thereof, to elect the cash bonus plus overriding or excess royalty provided for in paragraph 2b above as compensation or satisfaction in full for all rights and interest of such owner in the unit covered hereby.

In the event any party who is entitled to make a written election as to a subsequent well as provided for herein, shall elect not participate in further development, or shall fail to timely and properly elect to in writing to so participate, or who shall have elected affirmatively in writing not to participate in such subsequent well and further development, then such owner shall be deemed to have relinquished unto Operator all of such owners right, title, interest or claim in and to the unit and separate common sources of supply involved herein as to such proposed subsequent well and any further subsequent well or wells that may thereafter be proposed and drilled under the plan of development except for such parties share of the cash bonus plus overriding or excess royalty set forth in paragraph 2b above.

Any party entitled to make a written election as to a subsequent well who elects to continue to participate in the development of the separate common sources of supply in the drilling and spacing units provided for herein under the plan of development established by this Order, shall be deemed to have agreed to pay such parties proportionate part of the actual costs of the proposed subsequent well, and shall pay such parties proportionate part of the anticipated completed for production costs as set forth in the notice within 20 days from receipt thereof, said payment to be made to Operator at its then current address. Upon such timely payment, or the furnishing of security thereof satisfactory to the Operator, such parties election to continue to participate in the development of the drilling and spacing units and common sources of supply as to such subsequent well and future wells shall be perfected. In the event any owner elects as to the proposed subsequent well to continue to participate in the development of the separate common sources of supply under the plan of development established by this Order, but thereafter fails or refuses to pay or secure the payment of such owners proportionate part of the estimated completed for production well costs within the manner and time prescribed herein, then such owner shall be deemed to have withdrawn its election to continue to so participate and such owner, as to the proposed subsequent well and any further subsequent well or wells under the plan of development shall be deemed to have elected the cash bonus plus overriding or excess royalty set forth in paragraph 2b above.

As to any subsequent well proposed under this paragraph, Operator shall commence, or cause to be commenced, operations for the drilling of the subsequent well within 180 days from the date of written notice proposing the subsequent well, and shall thereafter continue such operations with due diligence to completion. If operations for the drilling of the proposed subsequent well are not commenced within the above described 180 day period, then the elections of the parties as to the proposed subsequent well shall expire and the parties shall be in the same position relative to each other that they were in immediately prior to the written notice of the subsequent well not to continue to participate in the development of the separate common sources of supply and drilling and spacing units under the plan of development established by this Order, shall be relinquished by Operator and any other acquiring party and such relinquished

rights shall revert in the parties who elected not to continue to so participate. Failure to timely commence any subsequent well shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled prior thereto under the plan of development established by this Order and shall not terminate such plan of development.

The term subsequent well for purposes of this paragraph shall not be deemed to include any side-tracking or other operation with respect to the initial unit well, or any subsequent well, and shall not be deemed to be any well that is drilled as a replacement or substitute well for the initial unit well or any subsequent well covered hereby, by virtue of any mechanical or other problems arising directly in connection with the drilling, completing, equipping or producing of the initial unit well or any subsequent well, and no party subject to this Order shall have the right to make any subsequent elections as to any such side-tracking, replacement, or substitute well.

9. That must commence operations for the drilling and other operations with respect to the well covered hereby within one (1) year from the date of this Order, and diligently prosecute the same to completion in a reasonably prudent manner or this Order shall be null and void except as to the payment of cash bonuses.

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

DONE AND PERFORMED this 30 day of July, 2007.

CORPORATION COMMISSION OF OKLAHOMA

Jeff Cloud
JEFF CLOUD, CHAIRMAN

Bob Anthony
BOB ANTHONY, COMMISSIONER

Jim Roth
JIM ROTH, COMMISSIONER

ATTEST:

Peggy Mitchell
PEGGY MITCHELL, COMMISSION SECRETARY

062707/ml

EXHIBIT "A"

1. Questar Exploration & Production Co.
6120 S. Yale, Suite 1300
Tulsa, OK 74136-4210
2. Merrill Cobb, Trustee of the Sam Cobb Family Trust
a Revocable Trust dated January 24, 1991 as amended and restated on
January 24, 1991 as amended and restated on January 8, 1998
PO Box 19802
Houston, TX 77224
3. John Vincent McDonnell, now Lufkin and the
Estate of John Vincent McDonnell, now Lufkin, deceased
Personal Representative: Suki Tinkelman
18603 Tameric Court
Germantown, MD 20874

THERE ARE NO UNKNOWN RESPONDENTS AND

THERE ARE NO RESPONDENTS NAMED FOR TITLE PURPOSES

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REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:

Kathleen M. McKenna, CMJ 7-25-07
ADMINISTRATIVE LAW JUDGE DATE

Michael Stata 26 July 2007
TECHNICAL REVIEWER DATE