

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: MARATHON OIL COMPANY

RELIEF SOUGHT: POOLING) CAUSE CD NO. 201102334
)
 LEGAL DESCRIPTION: ALL OF SECTION 27,)
 TOWNSHIP 19 NORTH,)
 RANGE 17 WEST, DEWEY)
 COUNTY, OKLAHOMA) ORDER NO. **586095**

ORDER OF THE COMMISSION

Administrative Law Judge; Date and Place of Hearing:

This Cause came on for hearing before Mike Porter, Administrative Law Judge for the Corporation Commission of Oklahoma, on the 31st day of May, 2011, at 8:30 a.m., in the Commission Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission. The Administrative Law Judge heard the Cause and filed a report with the Commission, which report has been considered and the Commission therefore finds, adjudicates and orders as follows.

Appearances:

Robert A. Miller, Attorney, appeared for the Applicant, Marathon Oil Company.

FINDINGS

Relief Requested:

1. That this is the application of Marathon Oil Company for an order pooling the interests, designating an operator, and adjudicating the rights and equities of oil and gas owners in the Douglas, Big Lime, Red Fork Sand, Atoka, Morrow Sand, Mississippi Chester, Mississippi Solid, Woodford, and Hunton common sources of supply underlying all of Section 27, Township 19 North, Range 17 West, Dewey County, Oklahoma. The respondents named in the Application are those parties shown on Exhibit "A" attached as a part hereof and incorporated into this Order by reference. If any named natural person is deceased, then the known or unknown heirs, executors, administrators, trustees, devisees and assigns, immediate and remote, of such decedent are made respondents to this application. If any named respondent is a corporation which does not continue to have legal existence, then the known or unknown successors, trustees or assigns, if any, of such entity are made respondents to this application.

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Jurisdiction and Notice:

2. That the Commission has jurisdiction over the subject matter herein and of the persons interested therein. That the Commission conducted a judicial inquiry into the sufficiency of Applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced the Commission finds that the Applicant has exercised due diligence and has conducted a meaningful search of all reasonably available sources at hand. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and by the rules of the Commission. That Applicant is the owner of an interest in the area covered by the Application. That the Applicant/Operator has furnished the Oklahoma Corporation Commission with a plugging agreement and surety or a financial statement, as required by law and by the rules of the Commission.

Spacing:

3. That the land described in paragraph 1 above is a drilling and spacing unit for the common sources of supply also named in paragraph 1, all heretofore Ordered by the Commission by Orders No. 59696, No. 119889, No. 131921, No. 332320, and No. 585126.

Granting of Relief and Rationale:

4. That Applicant, an owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply, has not agreed with all of the other such owners in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common sources of supply as a unit, and the Commission should issue this Order requiring such owners to pool and develop the drilling and spacing unit and common sources of supply covered hereby. That Applicant proposes to develop said unit and the common sources of supply therefor by the drilling of wells thereon and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop the unit and common sources of supply covered hereby, upon the terms and conditions set out 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. That in the interest of the prevention of waste and the protection of correlative rights, this Application should be and is granted, and the rights of all owners pooled and adjudicated.

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ORDER

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

Well Costs and Consideration Determination; and Absorption of Excess Burdens:

1. That Applicant proposes to drill a well in all of Section 27, Township 19 North, Range 17 West, Dewey County, Oklahoma, a drilling and spacing unit for the Douglas, Big Lime, Red Fork Sand, Atoka, Morrow Sand, Mississippi Chester, Mississippi Solid, Woodford, and Hunton separate common sources of supply, and to develop said unit and the common sources of supply therefor, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated, and determined.

2. a. That estimated well costs are:
- | | | |
|--------------------------|---|-----------------|
| Completed for production | - | \$12,599,390.00 |
| Completed as a dry hole | - | \$ 7,263,173.00 |

- b. **\$450 per acre cash bonus with total royalty of 3/16, as more fully set forth below:**

That \$450.00 per acre cash, plus an overriding or excess royalty of 1/16 of 8/8, is 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 plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

- c. **No cash bonus with total royalty of 1/4, as more fully set forth below:**

That an overriding or excess royalty of 1/8 of 8/8 is also a fair, reasonable, and equitable bonus to be tendered unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof; such overriding or excess royalty is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

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

PROVIDED, further, in the event the oil and gas 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 2b above, the owner of any such interest shall not be entitled to the option provided in paragraph 2b above, but shall be required to either participate or to accept the additional royalty provided in paragraph 2c above.

Options; Escrow Provisions:

3. That any owner of the right to drill on said drilling and spacing unit who has not agreed with the Applicant to develop said unit and common sources of supply is accorded the following elections, and each owner, subject 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 paragraphs 3a, 3b, or 3c herein such owner accepts:

- a. To participate in the development of the unit and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of the well covered hereby and by paying, as set out herein, to Applicant such owner's proportionate part of the estimated completed for production cost thereof, as set out in paragraph 2a above, or by securing or furnishing security for such payment satisfactory to the Applicant; in all events, such owner's cost in said well shall not exceed its proportionate part of the actual or the reasonable cost 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 estimated completed for production cost of said well, or the securing of such costs, or the furnishing of security therefor, as aforesaid, shall be accomplished within 25 days from the date of this Order, such owner's proportionate part of the costs of, and of the production from, such well and unit, to be in proportion to the number of acres such owner has in the unit; or,

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- b. To receive the cash bonus plus overriding or excess royalty, as set out in paragraph 2b above, which cash bonus shall be paid or tendered, if same can be paid or tendered, within 45 days from the date of this Order.

If any payment of bonus due and owing under the 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 90 days after the date of this order and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission rule as to bonus, royalty or other payments deposited into escrow accounts shall be with the applicable holder. Such funds deposited in said escrow accounts shall be held for the exclusive use of, and sole benefit of, the person entitled thereto. It shall be the responsibility of 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 bonus due and owing under this order cannot be made for any other reason, including, but not limited to questionable title, then such bonus shall be paid into an escrow account and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds; or,

- c. To receive in lieu of the cash bonus plus overriding or excess royalty, as set out in paragraph 2b above, the overriding or excess royalty only as set out in paragraph 2c above.

Elections by Owners; Deemed Election:

4. That each owner of the right to drill in said drilling and spacing unit to said common sources of supply covered hereby, who has not agreed to develop said unit, other than the Applicant, shall elect which of the alternatives set out in paragraph 3 above such owner accepts, said election to be made to Applicant, in writing, within 20 days from the date of this Order; in the event any

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owner fails to elect within the time and in the manner as set out above which of the alternatives set forth in paragraph 3 above, any such owner accepts, then such owner is deemed to have elected to receive the cash bonus plus excess royalty, as set out in paragraph 2b above if said owner can deliver an 81.25% net revenue interest to Applicant. If said owner cannot deliver an 81.25% net revenue interest the owner will be deemed to have elected the excess royalty set out in paragraph 2c above; in the event any owner elects to do other than participate in said well by paying his pro rata share of the costs thereof, or fails to make any election provided above, such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in and to the unit, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder.

Operator's Lien; Deemed Election Upon Failure to Perform:

5. That Applicant, in addition to any other rights provided herein, shall have a lien, as set out in 52 O.S., Section 87.1(e) (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 costs thereof; provided, however, that in the event an owner elects to participate in said well by paying his 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 completed for production cost as set out in paragraph 2a above, or fails or refuses to pay or make an arrangement with the Applicant for the payment thereof, all within the periods of time as prescribed in this Order, then such owner is deemed to have elected to receive the cash bonus plus excess royalty, as set out in paragraph 2b above if said owner can deliver an 81.25% net revenue interest to Applicant. If said owner cannot deliver an 81.25% net revenue interest the owner will be deemed to have elected the excess royalty set out in paragraph 2c above. The payment of such cash bonus shall be made by Applicant within 45 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.

Operator Designation:

6. That: Marathon Oil Company
7301 NW Expressway, Suite 225
Oklahoma City, OK 73132
Attn: Matt Jones
Telephone: (405) 720-5537

is designated operator of the well, unit and common sources of supply covered hereby and all elections must be communicated to said operator at the address above as required in this Order.

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Unit Pooling:

7. 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 lands described herein as to those separate common sources of supply set forth above to be tested by the proposed well on a unit basis and not on a borehole basis for any well drilled as to the respective separate common sources of supply cited herein. That the election not to participate as a cost bearing working interest in the proposed unit well shall operate to foreclose the interests of the respondents as to elections to participate or not, in any subsequent well that may at some indefinite time, if at all, be drilled within the subject lands; and that the initial election made by the respondents herein shall be binding as to the respondent, their assigns, heirs, representatives, agents, or estate.

Subsequent Wells and Development:

8. If, subsequent to the drilling of the initial unit well provided for herein, any party owning the right to participate in further development shall propose another well in the drilling and spacing units covered hereby, under the plan of development established by this Order, such proposing party 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 refer to the pooling order by number and shall be sent by certified mail to the last-known address of each party owning the right to participate, or its assigns, 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 20 days after receipt of the notice in which to elect, in writing, to the Operator and proposing party 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 no cash, plus an overriding or excess royalty of 1/8 of 8/8, is also 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 no cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

In order for a proposal to drill a subsequent well to be a valid proposal and commence the 20 day election period, there must be in full force and effect a valid increased density order from the Corporation Commission authorizing the drilling of the subsequent well and a valid existing location exception order from the Corporation Commission in the event the well is drilled at an off-pattern location as set forth in the subsequent wells and development paragraph.

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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 to participate in further development, or shall fail timely and properly to elect 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 owner's 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 party's share of the no cash, plus an overriding or excess royalty of $1/8$ of $8/8$, is also 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 no cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal $1/8$ royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

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 party's proportionate part of the actual costs of the proposed subsequent well, and shall pay such party's proportionate part of the anticipated completed for production costs as set forth in the notice within 25 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 party's 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 owner's 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 no cash, plus an overriding or excess royalty of $1/8$ of $8/8$, is also 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 no cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal $1/8$ royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

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

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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 being transmitted by Operator. In such event, all rights acquired from the parties electing to the proposed 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.

Commencement of Operations:

9. That Applicant must commence operations for the drilling or other operations with respect to the well covered hereby within 180 days from the date of this Order and diligently prosecute the same to completion in a reasonably prudent manner, or this Order shall be of no force and effect, except as to the payment of bonus.

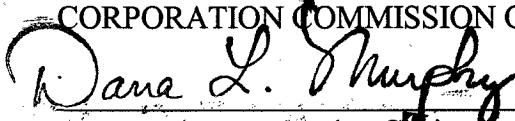
Mailing of this Order:

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


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DONE AND PERFORMED this 6 day of June, 2011.

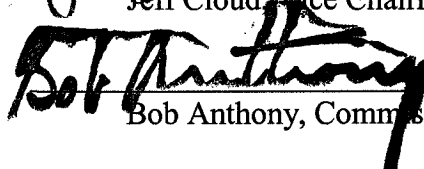
CORPORATION COMMISSION OF OKLAHOMA



Dana L. Murphy, Chair



Jeff Cloud, Vice Chairman



Bob Anthony, Commissioner

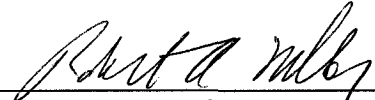
ATTEST:



Peggy Mitchell, Secretary of the Commission

JOYCE CONNER, Assistant Secretary

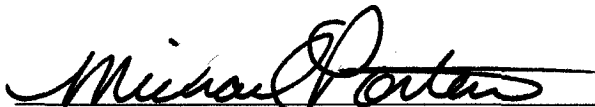
APPROVED AS TO FORM AND CONTENT:



Robert A. Miller

REPORT OF THE ADMINISTRATIVE LAW JUDGE


The foregoing Findings and Order are the report and recommendation of the Administrative Law Judge.



Mike Porter, Administrative Law Judge

2 June 2011

Date



Reviewer

6-2-11

Date

EXHIBIT "A"

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RESPONDENTS

**KNOWN RESPONDENTS WITH
CURRENT ADDRESS**

- 1 The Heirs, Successors, and Assigns
of Phyllis Fenimore, dec
c/o Harry L. Fenimore
4823 Country Club Drive
Stillwater, OK 74074
- 2 Lauren A. Taylor
c/o Kathleen M. Taylor
224 Warren Place
Ithaca, NY 14850-3139
- 3 Shelley Jo Wilson
c/o Reta Martin
Route 1, Box 156A
Longdale, OK 73755
- 4 The Heirs, Successors and Assigns
of Adolph Hurt, dec
c/o Robert Hurt
820 Proctor Place
Midwest City, OK 73110
- 5 Donald W. Hurt a/k/a Donald Wayne
Hurt
P.O. Box 413
Seiling, OK 73663
- 6 Robert Hurt a/k/a Robert M. Hurt
820 Proctor Place
Midwest City, OK 73110
- 7 Norman Hurt a/k/a Norman Lee Hurt
P.O. Box 391
Seiling, OK 73663
- 8 Patsy Hurt a/k/a Patsy Janice Hurt
c/o Robert Hurt
820 Proctor Place
Midwest City, OK 73110

9 Anita Donovan
3305 Rolling Lane
Midwest City, OK 73110

**UNKNOWN OR UNLOCATED
RESPONDENTS WITH LAST KNOWN
ADDRESS**

None

**RESPONDENTS LISTED FOR CURATIVE
REASONS**

- 10 JoLynn Wilson, Trustee of the JoLynn
Wilson Revocable Trust dated January
10, 2007
Route 1, Box 50B
Seiling, OK 73663
- 11 Robert L. Nichols, Jr.,
c/o Joyce Y. Nichols
1111 Cardenas Drive SE, Apt. 202
Albuquerque, NM 87108
- 12 Harry L. Fenimore
4823 Country Club Drive
Stillwater, OK 74074
- 13 Janice A. Smith
4823 Country Club Drive
Stillwater, OK 74074
- 14 Phillis Jeanice McDonald
4823 Country Club Drive
Stillwater, OK 74074
- 15 The Heirs, Successors and Assigns of
Oscar M. Taylor, Jr. a/k/a O. M.
Taylor, Jr., dec
c/o Gail D. Sutton
3203 South McComas Street
Wichita, KS 67217

EXHIBIT "A"

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RESPONDENTS

- | | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| 16 | The Heirs, Successors and Assigns
of Dean Taylor, dec
c/o Kathleen M. Taylor
224 Warren Place
Ithaca, NY 14850-3139 | 22 | Nels C. Nelson, dec.
Address Unknown |
| 17 | The Heirs, Successors and Assigns
of Doris Knoop, Dec
c/o Stuart C. Knoop a/k/a Stewart C.
Knoop
P.O. Box 12142
Wichita, KS 67277-2142 | 23 | Ella Watson, dec.
Address Unknown |
| 18 | The Heirs, Successors and Assigns
of Doris Knoop, Dec
c/o Stuart C. Knoop a/k/a Stewart C.
Knoop
1418 Audubun Pl
Shreveport, LA 71105 | ALL OF THE ABOVE, IF LIVING OR IN
EXISTENCE, AND IF NOT LIVING OR IN
EXISTENCE, THEN THEIR UNKNOWN
HEIRS, EXECUTORS, ADMINISTRATORS,
DEWISEES, TRUSTEES, SUCCESSORS AND
ASSIGNS, IMMEDIATE AND REMOTE | |
| 19 | The Heirs, Successors and Assigns
of Duane Hedges, Dec
c/o Cynthia Ann Smith
Route 1, Box 136
Canton, OK 73724 | | |
| 20 | The Heirs, Successors and Assigns
of Betty Hedges, Dec
c/o Cynthia Ann Smith
Route 1, Box 136
Canton, OK 73724 | | |
| 21 | The Heirs, Successors and Assigns
of Ray L. Wilson, Dec
c/o Lynden D. Wilson
18119 E County Road 1540
Lindsay, OK 73052 | | |