

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

APPLICANT: PAUL GILLHAM OIL COMPANY)	CAUSE CD NO.
)	
RELIEF SOUGHT: POOLING)	201204655
)	
LEGAL DESCRIPTION: SE/4 SE/4 SECTION 12,)	ORDER NO.
T8N, R4E, POTTAWATOMIE COUNTY, OKLAHOMA)	<u>603396</u>

ORDER OF THE COMMISSION

This Cause came on for hearing before William Peterson, Administrative Law Judge for the Oklahoma Corporation Commission, on the 14th day of August, 2012, at 8:30 a.m., Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony, and reporting findings and recommendations to the Commission. Russell J. Walker, Attorney, appeared for the Applicant, Paul Gillham Oil Company. The Administrative Law Judge heard the Cause and filed a report with the Commission. The Commission has considered the report, and the Commission therefore finds as follows:

FINDINGS

That this is the Application of Paul Gillham Oil Company for an Order determining the effective order date, designating operator, pooling interests, and adjudicating the rights and equities of oil and gas owners in SE/4 SE/4 Section 12, T8N, R4E, Pottawatomie County, Oklahoma, a 40-acre drilling and spacing unit for the Upper Calvin, Middle Calvin, Lower Calvin, Senora, Cottage Grove, Layton, Lower Cleveland, Wayside, Skinner, Upper Earlsboro, Lower Earlsboro, Bartlesville, Woodford, Misener-Hunton, Viola, Simpson Dolomite, Wilcox, Marshall, and Arbuckle common sources of supply created by Order No. 601828. The Application was dismissed as to the Arbuckle common source of supply.

That, except as set forth at Order Paragraph 5D below, no owners' interests are burdened with more than the normal 1/8th share of production plus an excess of 1/16th of 8/8ths share of production on both oil and gas.

That Applicant is an owner of the right to drill the well covered hereby; the Affidavit for publication service filed herein reflects the identity of all parties subject hereto, whether addresses are known or unknown; the Commission has made an inquiry into the factual issues of due diligence and an adjudicative inquiry into the sufficiency of the search to ascertain the whereabouts of parties served solely by publication and finds that a meaningful search has been made of the reasonably available sources to ascertain the whereabouts of those parties whose addresses are unknown and finds that the process was proper and that due diligence has been exercised; notice has been given as required by law and by Commission rules; due diligence has been exercised to find each Respondent; prior to the bringing of the captioned action, a bona fide effort was made to reach an agreement with each Respondent. The Applicant owns an oil and gas interest in the area covered by the Application. Operator has a current plugging bond on file with the Commission.

That, pursuant to the Application, it is proposed that a drilling and spacing unit well be drilled so as to develop the drilling and spacing units as a unit and to develop each common source of supply set out in this Order on a unit basis; Applicant has not agreed with all of the owners subject hereto to pool their oil and gas rights with respect to the well proposed to be drilled or with respect to the drilling and spacing units as a unit or with respect to the common sources of supply set out in this Order; to avoid the drilling of unnecessary wells, to prevent waste, and to protect correlative rights, all owners should be required to pool their interests as to the unit well, as to the drilling and spacing units as a unit, and as to the common sources of supply set out in this Order upon the terms and conditions set out in this Order, all of which

terms and conditions are found, after a consideration of the evidence, to be supported by substantial evidence, to be just and reasonable, and to afford each owner the opportunity to recover or receive, without unnecessary expense, such owner's just and fair share of the production from the unit well, from the drilling and spacing units as a unit, and from said common sources of supply and such owner's just and fair share of the production from each subsequent unit well proposed and drilled on the drilling and spacing units and produced from said common sources of supply.

That, in the interest of the prevention of waste and the protection of correlative rights, the Application should be granted.

ORDER

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

1. WELL OPERATIONS COMMENCEMENT AND COMMON SOURCES OF SUPPLY:

That operations for the drilling of the unit well must be commenced within 365 days from the date of this Order to develop, as a unit, the SE/4 SE/4 Section 12, T8N, R4E, Pottawatomie County, Oklahoma, a 40-acre drilling and spacing unit for each of the following:

Common Sources of Supply	Drilling & Spacing Unit Order No.
Upper Calvin	601828
Middle Calvin	601828
Lower Calvin	601828
Senora	601828
Cottage Grove	601828
Layton	601828
Lower Cleveland	601828
Wayside	601828
Skinner	601828
Upper Earlsboro	601828
Lower Earlsboro	601828
Bartlesville	601828
Woodford	601828
Misener-Hunton	601828
Viola	601828
Simpson-Dolomite	601828
Wilcox	601828
Marshall	601828.

Therefore, the oil and gas rights of all owners subject hereto with respect to the unit well, with respect to the drilling and spacing units as a unit, and with respect to the common sources of supply are pooled, adjudicated, and determined, and the rights and equities of all owners subject hereto with respect to the unit well, to the drilling and spacing units as a unit, and to the common sources of supply are as provided in this Order. This is a "unit" and not a "well-bore" order.

2. OPERATOR AND WELL COSTS: That the Operator of the unit well and estimated unit well costs are:

A. Paul Gillham Oil Company, an owner of the right to drill, shall be Operator of the unit well, of the drilling and spacing units as a unit, and of each common source of supply in Paragraph 1; ALL ELECTIONS PURSUANT TO THIS ORDER, WELL-COST PAYMENTS, OR SECURITY SATISFACTORY TO THE APPLICANT TO SECURE PAYMENT OF THE WELL COSTS MUST BE MADE, PAID, OR FURNISHED TO APPLICANT, PAUL GILLHAM OIL COMPANY, AT:

Post Office Box 699
Maud, Oklahoma 74854

B. Estimated unit well costs are:

Completed as a dry hole	\$ 344,500.00
Completion costs	\$ 434,950.00
Cost of saltwater disposal well ½ of	\$ 745,000.00
Total well costs if productive	\$1,151,950.00
Completion costs, each additional common source of supply	\$ 75,000.00.

The cost of construction of a saltwater disposal well shall be allocated one half (½) to said first unit well and one half (½) to the first unit well to be drilled pursuant to Order to issue in Cause CD No. 201204654 in NE/4 SE/4 Section 12. Should additional production wells be served by the above-described saltwater well, the cost of construction the saltwater well shall be reallocated prorata among all such production wells which it serves, and costs paid by owners of additionally served production wells shall be refunded to previously charged owners of served production wells on a prorata basis. All of the saltwater disposal well's operating costs shall be allocated prorata between or among all production wells which it serves.

3. TYPES OF ELECTIONS, NOTICE OF AND TIME FOR ELECTION, AND WELL COST PAYMENT: That all elections, notices, and well cost payments must conform to the following:

A. Types of elections: Each owner subject hereto may, with all or any portion of such owner's oil and gas rights subject hereto, elect either (i) to participate in drilling the unit well by paying such owner's share of the costs of said well, including such owner's share of the cost of a saltwater disposal well serving the drilling and spacing unit covered by this Order as set forth at Paragraph 3D below, all as specified in Paragraph 4 below provided, or (ii) in lieu of participation, to receive one or more of the types of consideration specified in Paragraph 5 below. Said election shall be made as set forth in this Paragraph 3 below.

B. Notice of election: Each owner subject hereto must give notice as to which of the elections set out in Paragraphs 4 or 5 such owner accepts, said notice to be given IN WRITING within 20 days from the date of this Order; an owner MAY MAKE ONE OR MORE OR ALL of the elections set out in said Paragraphs 4 or 5 as to any divided or undivided portion of said owner's oil and gas rights in the unit well and in the drilling and spacing units as a unit.

C. Timely election: An owner shall be deemed to have made a timely election pursuant to this Paragraph 3 if such owner has delivered such owner's election by telegraph or by timely mailing or other dispatch, as indicated by the postmark of the U.S. Postal Service or other proper third-party indicium of dispatch, on or before the last day permitted in Paragraph 3B. The election shall be directed to the party designated in this Order to receive elections at the address set forth in Paragraph 2A of this Order.

D. Saltwater disposal well: An election to participate in drilling and production under this Order shall include an election to participate in such owner's share of the cost of the drilling, operation, and abandonment of a saltwater disposal well to serve the oil and gas production wells drilled on the drilling and spacing unit covered by this Order and/or the drilling and spacing units and production well systems drilled in other nearby drilling and spacing units. The owners of all such production well systems or wells shall be charged a prorata share (based on the number of production wells and well systems served by the disposal well) of the cost of the disposal well's construction and the participants in prior production wells or well systems served by the disposal well reimbursed prorata the share of disposal well costs charged to the new owners of the disposal well under this Order.

4. WELL AND DRILLING AND SPACING UNIT AS UNIT PARTICIPATION
ELECTION: That

A. Election to pay well costs: Each owner subject hereto electing to pay well costs with respect to the unit well, the drilling and spacing units as a unit, and the common source of supply in Paragraph 1 MUST elect IN WRITING, in the manner and within the period designated in Paragraph 3 above, to participate in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1 by agreeing to pay such owner's proportionate part of the actual cost of the unit well and by paying such proportionate part of the estimated completed for production cost of such well set forth in Paragraph 2B above under "total well costs if productive." In all events, if cost participation is elected, such owner's actual cost in the unit well shall be determined by the Commission after the well is drilled in the event that a dispute then occurs as to such cost. The payment of such owner's proportionate part of the estimated completed for production cost of said well or securing payment of such owner's portion of the actual cost of the well with security satisfactory to Applicant MUST be accomplished within 25 days from the date of this Order. An owner shall be deemed timely to have paid such owner's proportionate share of the estimated completed for production well costs or furnished security therefor only if such well-cost payment or security therefor satisfactory to Applicant is paid or furnished within the said 25-day period. By selecting a Paragraph 4 election as to any divided or undivided portion of such owner's interest in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply, such owner, as to such portion of such owner's interest committed as set out in Paragraph 4 to the cost-paying basis for participating in the drilling of the unit well, shall be deemed to have reserved such owner's right to participate, on a cost-paying basis, in the next and in each unit well which the Commission hereafter authorizes to be drilled in the drilling and spacing units to any of the common sources of supply: provided, however, that, to retain the right to continue participating, on a cost-paying basis, successively in subsequently authorized wells, such owner must have elected to participate on a cost-paying basis in each preceding authorized well.

B. Subsequent wells: Any owner subject hereto who retains a right to participate in the first unit well covered by this Order, on a cost-paying basis as aforesaid, may propose the drilling of the first subsequent unit well covered hereby after such well is authorized by the Oklahoma Corporation Commission and may continue thus to propose subsequent unit wells so long as such owner has participated, on a cost-paying basis as aforesaid, in all unit wells previously drilled pursuant to this Order. Each such proposal shall be in writing mailed not less than 30 days prior to the commencement of operations for the drilling of such well to each owner subject hereto entitled to participate in the proposed well. Whereupon, such noticed owner, as to the same percentage of interest as committed by such owner to the cost-paying election in the manner specified in Paragraph 3 above and in this Paragraph 4 as to the next previous unit well drilled pursuant hereto, within 20 days after receipt of such notice shall make an election, as in Paragraph 3 above set forth, whether to participate in the proposed unit well by paying cost or whether to accept Paragraphs 5A, 5B or 5C below with regard to the proposed and all subsequent unit

wells. If the cost-paying election is made, such owner's prorata share of the proposed unit well's estimated completed for production cost must be paid to the Applicant or the securing of payment of the actual cost of such well with security satisfactory to the Applicant must be arranged for not later than 25 days after such owner's receipt of notice of proposal to drill the subsequent unit well. If any owner entitled thereto fails to make a participation election or makes such an election and does not pay or secure payment of costs as required, such owner will be deemed to have elected not to participate in the drilling of the proposed unit well and all subsequent unit wells on a cost-paying basis and will be deemed to have accepted Paragraph 5A, if such owner is not precluded by the requirements thereof from electing same, in which event such owner shall be deemed to have elected Paragraph 5B. If any owner entitled thereto fails to make a participation election or makes such an election and does not pay or secure payment of costs as required, such owner will be deemed to have elected not to participate in the drilling of the proposed unit well and all subsequent unit wells on a cost-paying basis and will be deemed to have accepted Paragraph 5B, if such owner is not precluded by the requirements thereof from electing same, in which event such owner shall be deemed to have elected Paragraph 5C. If a cash consideration becomes due pursuant to this Paragraph 4, then the cash consideration must be paid or tendered, if same can be paid or tendered, within 35 days from such owner's receipt of the notice described above.

5. CASH CONSIDERATION AND/OR PRODUCTION SHARING ELECTION: That, with respect to that portion of an owner's interest in the drilling and spacing units not committed to a cost-paying election in the unit well as set out in Paragraph 4 above, such owner may elect IN WRITING, in the manner and within the period designated in Paragraph 3 above, one or any of the following as to said unit well and as to the drilling and spacing units as a unit:

- A. **\$150.00 per acre cash bonus and "1/8th royalty," all as more fully set forth below:** \$150.00 per acre cash consideration in addition to any normal 1/8th royalty, as defined in 52 O.S. Section 87.1(e), to which the oil and gas rights of such owner covered by this Order are subject, to which such owner may be entitled pursuant to this Paragraph 5A, or to which such owner may otherwise be entitled. The said 1/8th royalty shall be delivered to the credit of the electing owner into the lease tank or into the pipeline to which the unit well is connected free and clear of all costs and expenses incurred in or in connection with drilling, testing, completing, equipping, operating, including plugging, and producing the unit well but not free and clear of gross production taxes or other taxes enacted subsequent to the date of this Order or the otherwise legally chargeable costs (*i.e.*, those costs which could be charged to oil and gas lessors in the captioned lands whose leases contain no provisions specifically addressing the treatment of the costs of marketing and delivering the product to market) of marketing and delivering the produced oil or gas to market. The cash consideration, when paid, tendered, or paid into escrow as in Paragraph 10 provided, shall be consideration for the relinquishment and assignment to the Applicant of all oil and gas rights of the owner electing or deemed to have elected this Paragraph 5A in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1 and in the production therefrom; all of said oil and gas rights, except for the normal 1/8th royalty, which is not diminished by this Order, are relinquished and assigned to the Applicant by operation of this Order. The oil and gas rights of such

owner which are relinquished and assigned to the Applicant by operation of this Order shall deliver to the Applicant no less than $\frac{7}{8}$ ths of $\frac{8}{8}$ ths of all oil and casinghead gas and $\frac{7}{8}$ ths of $\frac{8}{8}$ ths of all natural gas and condensate produced from the unit well, from the drilling and spacing units as unit, and from the common sources of supply in Paragraph 1. No owner may elect this Paragraph 5A if such owner's oil and gas rights are now or may be subject to royalty, overriding royalty, or other payments out of production which will result in a burden on such owner's oil and gas rights in excess of the normal $\frac{1}{8}$ th royalty.

- B. **\$125.00 per acre cash bonus and " $\frac{1}{24}$ th royalty," all as more fully set forth below:** \$125.00 per acre cash consideration and $\frac{1}{24}$ th of $\frac{8}{8}$ ths of all oil and casinghead gas and $\frac{1}{24}$ th of $\frac{8}{8}$ ths of all natural gas and condensate produced and sold from the unit well, from the drilling and spacing units as a unit, and from the common sources of supply in Paragraph 1 in addition to any normal $\frac{1}{8}$ th royalty, as defined in 52 O.S. Section 87.1 (e), to which the oil and gas rights of such owner covered by this Order are subject, to which such owner may be entitled pursuant to this Paragraph 5B, or to which such owner may otherwise be entitled. In the event that the oil and gas rights of such owner are now or may be subject to any royalty, overriding royalty, or other payments out of production which create a burden on such owner's oil and gas rights in excess of the normal $\frac{1}{8}$ th royalty, then such excess shall reduce said $\frac{1}{24}$ th of $\frac{8}{8}$ ths of all oil and casinghead gas and said $\frac{1}{24}$ th of $\frac{8}{8}$ ths of all gas and condensate by the amount of such excess. The said $\frac{1}{8}$ th royalty and $\frac{1}{24}$ th $\frac{8}{8}$ ths excess royalty on all oil and casinghead gas and $\frac{1}{24}$ th $\frac{8}{8}$ ths excess royalty on all natural gas and condensate shall be delivered to the credit of the electing owner into the lease tank or into the pipeline to which the unit well is connected free and clear of all costs and expenses incurred in or in connection with drilling, testing, completing, equipping, operating, including plugging, and producing the unit well but not free and clear of gross production taxes or other taxes enacted subsequent to the date of this Order or the otherwise legally chargeable costs (*i.e.*, those costs which could be charged to oil and gas lessors in the captioned lands whose leases contain no provisions specifically addressing the treatment of the costs of marketing and delivering the product to market) of marketing and delivering the produced oil or gas to market. The cash consideration, when paid, tendered, or paid into escrow as in Paragraph 10 provided, plus the excess royalty provided for above shall be consideration for the relinquishment and assignment to the Applicant of all oil and gas rights of the owner electing or deemed to have elected this Paragraph 5B in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1 and in the production therefrom; all of said oil and gas rights, except for the normal $\frac{1}{8}$ th royalty, which is not diminished by this Order, and except the excess royalty provided for above are relinquished and assigned to the Applicant by operation of

this Order. The oil and gas rights of such owner which are relinquished and assigned to the Applicant by operation of this Order shall deliver to Applicant no less than 5/6ths of 8/8ths of all oil and casinghead gas and 5/6ths of 8/8ths of all natural gas and condensate produced from the unit well, from the drilling and spacing units as unit, and from the common sources of supply in Paragraph 1. No owner may elect this Paragraph 5B if such owner's oil and gas rights are now or may be subject to royalty, overriding royalty, or other payments out of production which will result in a burden on such owner's oil and gas rights in excess of the normal 1/8th royalty plus 1/24th of 8/8ths of all oil and casinghead gas and 1/24th of 8/8ths of all gas and gas condensate.

- C. **\$100.00 per acre cash bonus and "1/16th royalty," all as more fully set forth below:** \$100.00 per acre cash consideration and 1/16th of 8/8ths of all oil and casinghead gas and 1/16th of 8/8ths of all natural gas and condensate produced and sold from the unit well, from the drilling and spacing units as a unit, and from the common sources of supply in Paragraph 1 in addition to any normal 1/8th royalty, as defined in 52 O.S. Section 87.1 (e), to which the oil and gas rights of such owner covered by this Order are subject, to which such owner may be entitled pursuant to this Paragraph 5B, or to which such owner may otherwise be entitled. In the event that the oil and gas rights of such owner are now or may be subject to any royalty, overriding royalty, or other payments out of production which create a burden on such owner's oil and gas rights in excess of the normal 1/8th royalty, then such excess shall reduce said 3/16th of 8/8ths of all oil and casinghead gas and said 1/16th of 8/8ths of all gas and condensate by the amount of such excess. The said 1/8th royalty and 1/16th of 8/8ths excess royalty on all oil and casinghead gas and 1/16th of 8/8ths excess royalty on all natural gas and condensate shall be delivered to the credit of the electing owner into the lease tank or into the pipeline to which the unit well is connected free and clear of all costs and expenses incurred in or in connection with drilling, testing, completing, equipping, operating, including plugging, and producing the unit well but not free and clear of gross production taxes or other taxes enacted subsequent to the date of this Order or the otherwise legally chargeable costs (*i.e.*, those costs which could be charged to oil and gas lessors in the captioned lands whose leases contain no provisions specifically addressing the treatment of the costs of marketing and delivering the product to market) of marketing and delivering the produced oil or gas to market. The cash consideration, when paid, tendered, or paid into escrow as in Paragraph 10 provided, plus the excess royalty provided for above shall be consideration for the relinquishment and assignment to the Applicant of all oil and gas rights of the owner electing or deemed to have elected this Paragraph 5C in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1 and in the production therefrom; all of said oil and gas rights, except for the normal 1/8th royalty, which is not

diminished by this Order, and except the excess royalty provided for above are relinquished and assigned to the Applicant by operation of this Order. The oil and gas rights of such owner which are relinquished and assigned to the Applicant by operation of this Order shall deliver to the Applicant no less than 13/16ths of 8/8ths of all oil and casinghead gas and 13/16ths of 8/8ths of all natural gas and condensate produced from the unit well, from the drilling and spacing units as unit, and from the common sources of supply in Paragraph 1.

- D. Any owner, including but not limited to the following: James S. Vanway and Marisela Vanway (No. 12 on Respondent List) as lessors and Gary Land Services, Inc. (No. 71), as lessee; James Griffin (No. 72) as lessor and Gary Land Services, Inc., as lessee; and Gary Family, LLC (No. 13), as lessor and BMV Investments, LLC (No. 70), as lessee), who, after receiving a well participation or leasing proposal from Applicant or its representative, granted or received an oil and gas lease providing for a royalty in excess of 3/16th in total burdens is found and deemed to have entered into a transaction designed to deprive the Commission of its jurisdiction to determine fair market value of the right to drill in the area covered by this Order. Hence, if the lessee in any such transaction elects not to participate in drilling hereunder with all of its leased interest, then said lessee shall be obligated to pay its lessor any royalty burden agreed upon between them in excess of a fully proportionately reduced 3/16ths in total burdens, and Applicant shall pay only the 3/16ths portion of the royalty due said lessor.

If an owner has elected or is deemed by this Order to have elected a Paragraph 5 election as to any portion of such owner's oil and gas rights in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1, such owner, to the extent of that portion of said owner's oil and gas rights in the drilling and spacing units committed to or deemed by this Order as committed to a Paragraph 5 election, will be deemed to have relinquished and assigned to Applicant such owner's right to participate on a cost-paying basis in the unit well and in each unit well hereafter authorized to be drilled on the drilling and spacing units as a unit and to all common sources of supply in Paragraph 1: provided, however, that with respect to each unit well hereafter authorized to be drilled on the drilling and spacing units as a unit and to the common sources of supply in Paragraph 1, such owner shall be entitled to receive, as to the portion of such owner's oil and gas rights committed to or deemed by this Order as committed to a Paragraph 5 election, a like proportionate part of the production share specified in Paragraphs 5A, 5B or 5C originally elected or deemed pursuant to this Order to have been elected.

Except as set out in Paragraph 4B above, if a cash consideration is established by this Order and in the event that an owner elects or is deemed pursuant to this Order to have elected that cash consideration, then the cash consideration must be paid or tendered, if same can be paid or tendered, within 35 days from the date of this Order.

6. **COST-BEARING AND PRODUCTION-SHARING PORTIONS:** That each owner's share of any unit well cost and associated share of unit well production (less properly chargeable royalties and similar burdens) shall be in proportion to the number of acres in each drilling and spacing unit which such owner commits to the cost-paying election as set out in Paragraph 4 above; each owner's share of production from any unit well, from the drilling and spacing units as a unit, and from the common sources of supply in Paragraph 1 due to any election by such owner of any part of Paragraph 5 above shall be in proportion to the number of acres of such owner in the drilling and spacing unit which are committed by such owner or which are deemed committed by such owner pursuant to this Order to any such production-sharing election permitted in Paragraph 5 above.

7. **DEFAULTING OWNERS:** That:

A. In the event that an owner elects, as to any portion of such owner's oil and gas rights, to participate in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1 by agreeing to pay the unit well cost attributable to the portion of such owner's oil and gas rights which such owner commits to the cost-paying election provided for in Paragraph 4 above and fails or refuses to satisfy the requirements of Paragraph 4 above as to the payment of such cost, then such owner, as to such committed oil and gas rights, shall be deemed to have accepted Paragraph 5A, if such owner is not precluded by the requirements thereof from electing same, in which event such owner shall be deemed to have elected Paragraphs 5B or 5C; in the event of such default, the Applicant shall pay the defaulting owner any cash consideration to which such owner becomes entitled pursuant to Paragraph 5 above within 35 days from date of this Order.

B. In the event that an owner who has elected Paragraph 4 above as to all or any portion of such owner's oil and gas rights fails or refuses to satisfy the requirements of Paragraph 4 as to the payment of such cost, then such failing or refusing owner shall be deemed to have relinquished and assigned to Applicant all of such owner's oil and gas rights committed to a cost-paying basis in the unit well, in the drilling and spacing units as a unit, and in each common source of supply listed in Paragraph 1 and the production therefrom, in which event such owner shall be paid any cash consideration and shall receive any share of production to which such owner otherwise may be entitled by reason of this Order.

C. In the event that an owner fails or refuses to make an election pursuant to Paragraphs 4 or 5 above or fails or refuses to give the notice within the time and in the manner as set out in Paragraph 3 above, such owner shall be deemed to have accepted Paragraph 5A, if such owner is not precluded by the requirements thereof from electing same, in which event such owner shall be deemed to have elected Paragraphs 5B or 5C, as to all of such owner's oil and gas rights in the unit well, in the drilling and spacing units as a unit, and in the common sources of supply in Paragraph 1, and such owner shall be deemed to have relinquished to and assigned to Applicant all of such owner's oil and gas rights in and to the unit well, the drilling and spacing units as a unit, and all of the common sources of supply in Paragraph 1, except as set forth in Paragraph 5 above.

8. **DILIGENCE IN OPERATIONS:** That operations for the drilling of the first unit well provided for in this Order must be commenced within three hundred sixty five (365) days from the date of this Order. Operations for the drilling of each subsequent unit well provided for in this Order must be commenced within one hundred eighty (180) days from the date of the mailing of the proposal thereof provided for in Paragraph 4B above. Once commenced, all such operations must be prosecuted in a diligent and prudent manner to completion or to plugging in accordance with Commission orders, rules, or regulations.

9. **FAILURE TO COMMENCE UNIT WELL:** That, if operations for the drilling of the first unit well are not commenced, then this Order shall terminate at the end of the 180-day period described in Paragraph 8 above; if operations for drilling of a subsequent unit well is not commenced, then this Order shall terminate with respect to such subsequent well at the end of the 180-day period described in Paragraph 8 above: provided, however, that any cash consideration due and payable pursuant to this Order and not theretofore paid must be paid at any such termination.

10. **ESCROW ACCOUNTS:** That:

A. If any cash consideration due and owing under this Order cannot be paid to the owner entitled thereto because the owner cannot be found or is unknown, then said cash consideration shall be paid into an escrow account within ninety (90) days after the date of this Order and shall not be commingled with any funds of Applicant or of Operator. Any royalty or other payments due and payable to such owner shall be paid by the holder of such funds into an escrow account within ninety (90) days after the date of this Order or within ninety (90) days after same are received by such holder, whichever is applicable, and shall not be commingled with any funds of the Applicant, Operator, or other holder of such payments. Reports of escrowed funds shall be made to the Commission, as required by law and Commission rules, by the Applicant, Operator, or other party holding such funds pursuant to this Order. Such funds deposited in said escrow account shall be held for the exclusive use and sole benefit of the owner entitled thereto. The Applicant, Operator, or other party holding such funds will notify each holder of funds escrowed pursuant to this Order of this requirement of this Order and of the Commission rules relating to funds which are escrowed pursuant to this Order and which remain unclaimed. The escrow account shall be established in a federally- or state-chartered bank, savings and loan association, or credit union.

B. Reports to the Commission as to funds being escrowed and to whom payable will be filed with the Commission in accordance with 165 O.A.C. 5-13-3 (e).

C. If, for any reason other than as set out in Paragraph 10A above, any cash consideration elected or deemed to have been elected pursuant to this Order cannot be paid, then such cash consideration shall be paid into an escrow account and shall not be commingled with any funds of Applicant or of Operator. Any funds attributable to a share of production to which such owner is entitled pursuant to this Order or otherwise which cannot be paid in accordance with the requirements of this Order or otherwise shall be paid into an escrow account by the holder of such funds. Such escrowed funds shall be held for the use and benefit of such owner and shall be paid to such owner by the escrow holder thereof when the disability or the condition which precluded payment to such owner is removed or satisfied.

11. **OPERATOR'S LIEN:** That the Operator, in addition to any other right provided in this Order, in other orders of the Commission, or by law, shall have a lien on the mineral leasehold estate, on other oil and gas rights in the drilling and spacing units as a unit, on the unit well, on any and all equipment therein or thereon, appurtenant thereto, or used in connection therewith, on the common sources of supply in Paragraph 1, and on the production therefrom to the extent that any thereof are owned by an owner or owners subject hereto electing Paragraph 4 above. The purpose of such lien shall be to secure payment to Operator to the extent that costs incurred in the drilling, testing, completing, equipping, and operating of the unit well, including plugging, and developing the unit are attributable to the portion of an owner's oil and gas rights committed to a Paragraph 4 election; any and all costs incurred for and on behalf of any owner shall be and shall constitute a charge against the oil and gas rights committed to a Paragraph 4 election; each lien shall remain separable as to the separate oil and gas rights

of an owner and shall remain a lien until the costs, as beforesaid, attributable to an owner have been paid as required by this Order or by law.

12. EXHIBIT "A": That attached to and a part of this Order is Exhibit "A," which shows the owners dismissed from these proceedings and the other owners to whom this Order is directed.

13. DELIVERY OF ORDER: That an affidavit shall be filed with the Secretary of the Commission within 10 days from the date of this Order stating that a copy of said Order was delivered or mailed within 3 days from the date of this Order to all parties subject hereto whose addresses are known.

CORPORATION COMMISSION OF OKLAHOMA

Patrice Douglas
PATRICE DOUGLAS, Chairman

Bob Anthony
BOB ANTHONY, Vice Chairman

Dana L. Murphy
DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 23 day of October, 2012.

BY ORDER OF THE COMMISSION:

Peggy Mitchell
PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

Approved:

William Peterson
William Peterson, Administrative Law Judge

10/18/12
Date

Michael D. Norris
Technical Review

10-19-12
Date

Approved as to Form and Content:

Russell James Walker
Russell James Walker

EXHIBIT "A"

RESPONDENTS WITH KNOWN ADDRESSES:

1. Susan Kay Rooker
(See Below, Dismissed, Address Known)
2. Marc Johnson, Successor Trustee of the
Avrone Schuman Trust Dated 8-28-87
(See Below, Dismissed, Address Known)
3. Alexander Macdonald, II & Augusta G.
Macdonald, Trustees of the Macdonald 1996
Revocable Trust Dated 1/11/98
PO Box 5870
Ketchum, ID 83340
4. Ralph J. Baker
12409 Arrowhead Terrace
Oklahoma City, OK 73120
5. Patricia M. Baker Latham c/o Mark Latham
1125 N. Hickory Court
Broken Arrow, OK 74012-1502
6. Mary Ann Oldham
13121 S. Red Bud Street
Claremore, OK 74017
7. Kelly Baker
12330 South 14th Street
Jenks, OK 74037
8. Kerby Baker
4608 E. 93rd Ct., Unit D
Tulsa, OK 74137
9. Deborah Ann Baker Skinner
10425 Prestwick NE
Albuquerque, NM 87111
10. Laura March Kendall
9625 Jenny Lind Road
Ft. Smith AR 72908
11. John R. March, III
3683 Coral Gables Drive
Dallas, TX 75229
12. James S. Vanway & Marisela Vanway
H/W JTs
PO Box 2593
Ardmore, OK 73402
13. Gary Family, LLC
PO Box 1182
Ardmore, OK 73402
14. Mid-Continent Petroleum Corp, now
Sunoco, Inc.
PO Box 5090
Sugar Land, TX 77487-5090
15. J.R. McGinley; John R. McGinley, III,
Trustee of the John R. McGinley, Jr. Family
Trust U/T/D 9-5-80
(See Below, Duplicate, Incorrect Address)
16. JF Buck Energy LLC
6307 Waterford Blvd, Suite 200
Oklahoma City, OK 73118
17. Patrick A. McGinley, Trustee of the Patrick
A. McGinley Revocable Trust U/T/D 1-2-90
PO Box 3126
Tulsa, OK 74101-3126
18. Ralph William Viersen, III
Box 296
Henryetta, OK 74437
19. M.A. Viersen, Trustee of the M.A. Viersen
Revocable Trust
PO Box 296
Henryetta, OK 74437
20. Patsy Ann Viersen Brown
Box 2444
Bartlesville, OK 74005
21. Barbara March Harris
1626 10th Avenue NW
Ardmore, OK 73401

PAUL GILLHAM OIL COMPANY
CAUSE CD NO. 201204655
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22. Viersen Oil & Gas Co.
P.O. Box 702708
Bartlesville, OK 74170
23. Crockett Royalty, LLC
PO Box 701377
Tulsa, OK 74170
24. Andrews Royalty, Inc.
PO Box 7808
Dallas, TX 75209-0808
25. Barbara Lee
7008 Landing Road
Oklahoma City, OK 73132-6201
26. Wood Oil Company
c/o Panhandle Oil & Gas, Inc.
5400 N. Grand Blvd, Suite 300
Oklahoma City, OK 73112
27. Carlisle M. Fleetwood & Joan N. Fleetwood,
Co-Trustees of the Carlisle M. Fleetwood
Revocable Living Trust dated 8/12/96
(See Below, Address Unknown)
28. Episcopal Royalty Company
924 N. Robinson
Oklahoma City, OK 73102
29. Jon M. Morgan
PO Box 1015
Midland, TX 79702
30. Nell P. Brower
5457 Monroe Street
Los Angeles, CA 90038
31. Sellers Family Partnership (Jack Sellers)
PO Box 34
Cleveland, OK 74020
32. Katherine Roberts & Richard Roberts
(See Below, Dismissed, Address Known)
33. Balboa Production Company
Attn: Mr. Steve K. Goodner
17780 Preston Road, Suite 100
Dallas, TX 75252
34. Petroleum Landowners Corp. Ltd
PO Box 491150
Los Angeles, CA 90049
35. Margaret Lee Uri (Simmons)
3530 Maloney Road
Knoxville, TN 37920
36. Bobby Gwen Uri
1000 Gettysvue Drive
Knoxville, TN 37922
37. Matthew L. & Renee G. Pride Revocable
Living Trust Dated 8-13-99
9348 South Florence Avenue
Tulsa, OK 74137-3649
38. Elizabeth Hug & Helen Brew
c/o Carolyn B. Matzinger
1630 Debann Road
Cardiff by the Sea, CA 92007-1102
39. Rebecca J. Kay Trust, Marlene K. Adelman
Successor Trustee
400 W. Capitol, Suite 2000
Little Rock, AR 72201
40. Universal Resources Corporation, now
QEP Energy Co., UR COP
PO Box 45601
Salt Lake City, UT 84145-0601
41. John W & Cynthia Pride Revocable Living
Trust Dated 7-21-98
(See Below, Duplicate, Incorrect Address)
42. Virginia Alexia Tindel
2518 Diamond Street
San Francisco, CA 94131-3010
43. John Ralph Rooker
411 Forest Lake Drive
Warner Robins, GA 31093
44. Sammy L. Rooker
(See Below, Address Unknown)
45. James Kent Bingman
(See Below, Dismissed, Address Known)

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46. Ceres Resources, LLC
1616 East 19th Street, Suite 203
Edmond, OK 73013
47. Dalco Oil Company, now PEC Minerals LP
14860 Montfort Drive Suite 209
Dallas, TX 75254-8722
48. Jeff Weinberg or Suzanne Weinberg
5310 Green Hazel Court
Houston, TX 77084
49. Helen Elizabeth Townley
2065 S. Hillcrest Drive
Camp Verde, AZ 86322
50. Helen Betty Townley, Trustee of the Helen
Betty Townley Trust
2065 S. Hillcrest Drive
Camp Verde, AZ 86322
51. Michael Kahn
PO Box 831
Seminole, OK 74818-0831
52. Saunders-Wallace LLC
PO Box 1281
Seminole, OK 74818-1281
53. BancFirst Seminole
PO Box 1071
Seminole, OK 74818-1071
54. The Randy Roy Jones Trust for Randy Roy
Jones, II & Carystal Lynn Jones Dated
12/11/87
11101 Kime Circle
Guthrie, OK 73044
55. JO Osborn, Deceased, Candace Jones,
Successor to Kenneth R. Lee
(See Below, Duplicate, Incorrect Address)
56. Thomas T. Holley, II
PO Box 3602
Wichita Falls, TX 76301
57. Shirley D'Alquen
7424 Kingsman Avenue
Cirrus Heights, CA 95621
58. Mary Ellen W. Tanner, Dec
Susan Cummings
824 9th Street NE
Washington, DC 20002
59. Mary Ellen W. Tanner, Dec
Barbara deKwiatkowski
25 Lower Cross Road
Greenwich, CT 06830
60. Mary Ellen W. Tanner, Dec
Marcia Tanner
8301 Pinyon Pine Court
Fairfax Station VA 22039
61. C.A. Fleetwood & Nell M. Fleetwood LE
c/o Quam Management Trust
12938 Kingsbridge Lane
Houston, TX 77077-2264
62. Mary Ellen W. Tanner dec
Eric Tanner
8301 Pinyon Pine Court
Fairfax Station, VA 22039
63. Dorothy Cargill Healey
6500 Greenlee Dr., SE
Grand Rapids, MI 49546
64. Rachel Cargill Schipul
523 Briar Knoll
Houston, TX 77079
65. Joanne Cargill Lewis
28 Great Road
East Greenwich, RI 02818
66. Ruth A. Hayes
11865 Calle Vivenda
San Diego, CA 92128
67. Richard L. Jenkins
7507 Prestwick
Houston, TX 77025
68. Neil B. Mitchel
5606 N. Navarro, Ste 200A
Victoria TX 77904

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69. Louis J Quam & Amanda F Quam,
Trustee of the Quam Management
12938 Kingbridge Lane
Houston, TX 77077
70. BMV Investments, LLC
PO Box 1688
Ardmore, OK 74302-1688
71. Gary Land Services, Inc.
PO Box 2593
Ardmore, OK 73402
72. James Griffin
1100 Osage
Ardmore, OK 73401
73. Retha Mae Jenkins
Address Unknown
74. E.F. Hyland
(See Below, Address Unknown)
75. J.C. Allen
(See Below, Address Unknown)
76. Jean Howard
(See Below, Address Unknown)
77. Clarence C & Emily Hawk, Dec.
(See Below, Address Unknown)
78. Alexander Hunt Cole
(See Below, Curative, Address Unknown)
79. Carolyn Cole Eggers
(See Below, Curative, Address Unknown)
80. Susan Cole Urie
(See Below, Curative, Address Unknown)
81. Don H. Cole, Jr.
(See Below, Curative, Address Unknown)
82. Amy S. Cole
(See Below, Curative, Address Unknown)
83. John Fawcett Cole
(See Below, Curative, Address Unknown)
84. Donna Laskey Newton
(See Below, Curative, Address Unknown)
85. James C. Pinkerton, Trustee of the Jean
Hagler Pinkerton RT Dated 11-14-91
(See Below, Curative, Address Unknown)
86. Ivan James Newlin, Jr., Trustee of the Trust
A UW of Frances P. Newlin, Dec.
(See Below, Address Unknown)
87. Gladys F. Newlin, Deceased
(See Below, Curative, Address Unknown)
88. Ivan James Newlin, Deceased
(See Below, Curative, Address Unknown)
89. Mary Ellen W. Tanner
(See Below, Address Unknown)
90. Kate R. Hagler
(See Below, Address Unknown)
91. J.O. Osborn, Deceased
(See Below, Address Unknown)
92. Candace Jones
(See Below, Address Unknown)
93. Kenneth R. Lee
(See Below, Address Unknown)
94. C.A. Fleetwood & Nell M. Fleetwood, Life
Estate
(See Below, Address Unknown)
95. Nancy Rankin Cole
(See Below, Curative, Address Unknown)
96. Raymond Morris Cole
(See Below, Address Unknown)
97. Edd Raymond Cole
(See Below, Curative, Address Unknown)
98. William Morris Cole
(See Below, Curative, Address Unknown)

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- | | |
|---|--|
| 99. Charles Rankin Cole
(See Below, Curative, Address Unknown) | 101. Marion G. Cope
(See Below, Address Unknown) |
| 100. Nancy Jean Cole Reynolds
(See Below, Address Unknown) | 102. Joan F. Jenkins
(See Below, Address Unknown) |

**** (AMENDMENT TO EXHIBIT "A") ****

- | | |
|---|---|
| 73. J.R. McGinley; John R. McGinley, III,
Trustee of the John R. McGinley, Jr.
Family Trust u/t/d 9-5-80
P.O. Box 769
Tulsa, OK 74101 | 78. Mary Ellen W. Tanner, dec.
Barbara DeKwiatkowski
(See Below, Duplicate, Incorrect Address) |
| 74. John W. & Cynthia Pride Revocable Living
Trust Dated 7-21-98
3500 South Aster Avenue
Broken Arrow, OK 74012-9422 | 79. Patsy Ann Viersen Brown
P.O. Box 2444
Bartlesville, OK 74005 |
| 75. JO Osborn, Deceased, Candace Jones,
Successor to Kenneth R. Lee
3463 State Street, Apt. 334
Santa Barbara, CA 93105 | 80. Viersen Oil & Gas Co.
P. O. Box 702708
Tulsa, OK 74170-1059 |
| 76. Anita Jane Hardesty
(See Below, Duplicate, Incorrect Address) | 81. McDyltay, Inc., Successor Trustee &
Beneficiary of the W. Burke Reynolds, Jr.,
Trust & William Burke Reynolds, Jr., Trust
PO Box 1420
Aledo, TX 76008 |
| 77. Anita Jane Hardesty
4309 S. Westminster
Oklahoma City, OK 73150-2818 | 82. Cashdollar Royalty Trust
PO Box 496
Evans City, PA 16033 |

RESPONDENTS WITH UNKNOWN OR UNDELIVERABLE ADDRESSES:

- | | |
|---|--|
| 27. Carlisle M. Fleetwood & Joan N.
Fleetwood, Co-Trustees of the Carlisle M.
Fleetwood Revocable Living Trust dated
8/12/96 | 89. Mary Ellen W. Tanner |
| 44. Sammy L. Rooker | 90. Kate R. Hagler |
| 73. Retha Mae Jenkins | 91. J.O. Osborn, Deceased |
| 74. E.F. Hyland | 92. Candace Jones |
| 75. J.C. Allen | 93. Kenneth R. Lee |
| 76. Jean Howard | 94. C.A. Fleetwood & Nell M. Fleetwood, Life
Estate |
| 77. Clarence C & Emily Hawk, Dec. | 96. Raymond Morris Cole |
| 86. Ivan James Newlin, Jr., Trustee of the Trust
A UW of Frances P. Newlin, Dec. | 100. Nancy Jean Cole Reynolds |
| | 101. Marion G. Cope |
| | 102. Joan F. Jenkins |

RESPONDENTS WITH KNOWN ADDRESSES WHO WERE DISMISSED FROM THE APPLICATION:

- | | |
|--|--|
| 1. Susan Kay Rooker
11401 Brown Avenue
Oklahoma City, OK 73162-1300 | 32. Katherine Roberts & Richard Roberts
1732 Carmel Avenue
Eugene OR 97461 |
| 2. Marc Johnson, Successor Trustee of the
Avrone Schuman Trust Dated 8-28-87
3701 N. Cincinnati Avenue
Tulsa, OK 74106-1533 | 45. James Kent Bingman
PO Box 69
Okmulgee, OK 74447 |

RESPONDENTS WITH UNKNOWN OR UNDELIVERABLE ADDRESSES WHO WERE DISMISSED FROM THE APPLICATION:

None

RESPONDENTS WITH KNOWN ADDRESSES NAMED FOR TITLE CURATIVE PURPOSES:

None

RESPONDENTS WITH UNKNOWN OR UNDELIVERABLE ADDRESSES NAMED FOR TITLE CURATIVE PURPOSES:

- | | |
|-------------------------|---|
| 78. Alexander Hunt Cole | 85. James C. Pinkerton, Trustee of the Jean
Hagler Pinkerton RT Dated 11-14-91 |
| 79. Carolyn Cole Eggers | 87. Gladys F. Newlin, Deceased |
| 80. Susan Cole Urie | 88. Ivan James Newlin, Deceased |
| 81. Don H. Cole, Jr. | 95. Nancy Rankin Cole |
| 82. Amy S. Cole | 97. Edd Raymond Cole |
| 83. John Fawcett Cole | 98. William Morris Cole |
| 84. Donna Laskey Newton | 99. Charles Rankin Cole |

INCORRECT ADDRESSES IN WHICH CASE RESPONDENTS WERE DUPLICATED WITH CORRECT ADDRESS:

- | | |
|--|--|
| 15. J.R. McGinley; John R. McGinley, III,
Trustee of the John R. McGinley, Jr. Family
Trust U/T/D 9-5-80
PO Box 76
Tulsa, OK 74101 | ** <u>AMENDMENT TO EXHIBIT "A"</u> **
76. Anita Jane Hardesty
309 S. Westminster
Oklahoma City, OK 73150-2818 |
| 41. John W & Cynthia Pride Revocable Living
Trust Dated 7-21-98
300 South Aster Avenue
Broken Arrow, OK 74012-9422 | 78. Mary Ellen W. Tanner, dec.
Barbara DeKwiatkowski
1 Beakman Place, Apt. 5B
Greenwich, CT 06830 |
| 55. JO Osborn, Deceased, Candace Jones,
Successor to Kenneth R. Lee
3463 State Street, Apt. 223
Santa Barbara, CA 93105 | |