

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: UNIT PETROLEUM COMPANY

RELIEF SOUGHT: POOLING

LEGAL DESCRIPTION: SECTION 27, TOWNSHIP 2
NORTH, RANGE 20ECM, BEAVER COUNTY,
OKLAHOMA

CAUSE CD NO.

201205989-T

ORDER NO.

603738

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., 15th day of October, 2012, Eastern Regional Office, 440 South Houston, Tulsa, Oklahoma 74127.

2. Appearances: Ron M. Barnes, Attorney, appeared for the Applicant; and John Reeves, Attorney, appeared for Cabot Oil and Gas.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons.

4. Amendment: At hearing the time to commence unit operations was amended to 180 days.

5. Relief Requested: To pool and adjudicate the rights and equities of the owners named in Exhibit "A" attached hereto underlying the lands described in the caption hereof for the common sources of supply described below and to designate the Applicant or some other party as operator.

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

| <u>Common Source of Supply</u> | <u>Size of Unit</u> | <u>Order No.</u> |
|--------------------------------|---------------------|------------------|
| Douglas | 640-acre horizontal | 603307 |
| Lansing-Kansas City | 640-acre horizontal | 603307 |
| Marmaton | 640-acre horizontal | 603307 |

Said owners named in Exhibit "A" attached hereto must make one or any combination of the following elections within 20 days from the date of this Order. In the event an owner makes an election of the bonus provision he or she shall include with their election their social security number. If the respondent fails to include their social security or federal tax I.D. number Unit Petroleum Company will not issue a check until such information is provided.

6.1 **Participate:** 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 and unit covered hereby and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed for production cost thereof, or by providing the Operator with an irrevocable letter of credit for such payment satisfactory to the Operator, within 25 days from the date of this Order, as follows:

| | |
|--------------------------|-------------|
| Completed as a dry hole | \$1,416,346 |
| Completed for Production | \$2,655,746 |

Provided further, however, that in the event an owner elects to participate in said unit well by paying his proportionate part of the costs thereof and fails or refuses to pay or provide the Operator with an irrevocable letter of credit for such owner's proportionate part of the completed for production cost as set forth herein, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to accept the highest cash bonus for which because of burdens such owner's interest qualifies as set out in paragraphs 6.2 or 6.3 below. Thereupon, the payment of such cash bonus shall be made by Operator within 35 days after the last day of which such defaulting owner, under this Order, should have paid his proportionate part of such costs or should have made satisfactory arrangements for the payment thereof.

6.2 **Cash Consideration:** **To accept \$550 per acre plus a total royalty of 3/16** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said unit by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid within 35 days from the date of this Order and when so paid shall be satisfaction in full for all rights and interests of such owner in the unit covered hereby, provided, however, in the event that owner's interest is subject to a royalty, overriding royalty, or other burden on production in excess of the normal 1/8 royalty as defined herein, then such excess royalty, overriding royalty, or other burden shall be charged against the 1/16 of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess.

6.3 **Cash Consideration:** **To accept \$500 per acre plus a total royalty of 1/5** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said unit by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid within 35 days from the date of this Order and when so paid shall be satisfaction in full for all rights and interests of such owner in the unit covered hereby, provided, however, in the event that owner's interest is subject to a royalty, overriding royalty, or other burden on production in excess of the normal 1/8 royalty as defined herein, then such excess royalty, overriding royalty, or other burden shall be charged against the 7.5% of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess.

7. **Failure to Elect:** In the event any owner fails to elect within the time and in the manner as set forth in paragraph 6 above, then such owner shall be deemed to have accepted the highest cash bonus for which because of burdens such owner's interest qualifies as

set out in paragraphs 6.2 or 6.3 above; in the event any owner elected to do other than participate in said unit by paying his pro rata share of the costs of the unit well thereof, or fails to make an election provided above, 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, except for any normal $\frac{1}{8}$ royalty interest, and other share in production to which such owner may be entitled by reason of any election hereunder.

8. **Operator:** **Unit Petroleum Company**
 Attn: Carmody Sloan
 P.O. Box 702500
 Tulsa, Oklahoma 74170

an owner of the right to drill in said drilling and spacing unit is designated Operator of the unit well and common sources of supply covered hereby and all elections required in paragraph 6 hereof should be communicated to said Operator in writing at the address above as required in this Order. All written elections must be mailed postmarked within the election period as set forth in paragraph 6; provided such election may be mailed certified mail with return receipt requested in which event such certified election must be deposited in the post office within the election period set forth in paragraph 6. That said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

9. **Commencement of Operations:** That Operator shall commence operations for the drilling or other operations with respect to the unit covered hereby within **180 days** from the date of this Order and shall 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. If any payment of bonus due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within **90** days after 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 the unclaimed monies under pooling orders.

10. **Participation in Subsequent Operations:** Only those owners electing to participate in the initial well drilled hereunder as provided above will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common source of supply covered hereby. Owners electing or deemed to have elected the cash option plus excess or overriding royalty provided in paragraphs 6.2 or 6.3 above shall receive no additional cash consideration for subsequent wells, but shall receive the royalty provided therein for subsequent wells. The term subsequent well for the purposes of paragraphs 10 and 11 shall not be deemed to include any side-tracking or other operation with respect to the initial unit 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.

11. Election on Subsequent Operations: Unit Petroleum Company ("Unit") or any working interest owner may propose the drilling of a subsequent well. In the event Unit or a working interest owner proposes the drilling of a subsequent well it shall notify those owners who elected to participate in the initial well completed hereunder of its intent to drill a subsequent well and said owners will have 20 days from the date of receipt of said notice to elect whether to participate in said subsequent well. The notice provided by the proposing party shall include the estimated dry hole costs and estimated completed well costs of the subsequent well and owners electing to participate must pay, or make satisfactory arrangements with Unit to secure the payment, of their proportionate share of said complete well costs within 25 days from the date of receipt of notice from the proposing party. Those owners electing not to participate or those owners failing to elect within the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have elected not to participate in the subsequent well and shall thereafter receive the consideration provided for in paragraph 6.3 above for the first subsequent well and thereafter the royalty only and no additional cash bonus. Anytime an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall not be allowed to participate in future wells drilled on the drilling and spacing units covered hereby. Unit shall commence the subsequent well within 180 days of the proposal for same or the proposal shall expire. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed by Unit for subsequent wells.

12. Operator Lien: That Operator, in addition to any other rights provided herein, should have a lien, as set out in 52 O.S., Section 87.1(e)(2001), 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.

13. Special Finding: Notice has been given by publication as required by Commission Rules and Affidavits of Publication have been filed. Those owners whose names and addresses were attainable have been given actual notice by mail. An adjudicative inquiry was conducted by the Administrative Law Judge into the sufficiency of the search to ascertain the names and addresses of all owners and if a diligent effort had been made to locate all affected interest owners. Applicant has made a meaningful and diligent search of all reasonably available sources at hand to ascertain those parties that are entitled to notice and the whereabouts of those entitled to notice but who were served only by publication. The Commission finds the process to be proper and has jurisdiction over the subject matter and the parties. That a bona fide effort was made to reach an agreement with each respondent and that the Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interest and to develop the drilling and spacing unit common sources of supply as a unit; that the Applicant has proposed the drilling of a well on said unit and to develop said common sources of supply; that the Operator,

hereinabove named, is an owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply.

14. Filing of Affidavit: 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.

15. This is a unit pooling.

16. Conclusion: The relief requested is necessary to prevent or to assist in preventing the various types of waste of oil or gas prohibited by statute, or any of said wastes, and to protect or assist in protecting the correlative rights of interested parties. Such requested relief, as set forth above, should be granted and IT IS SO ORDERED.

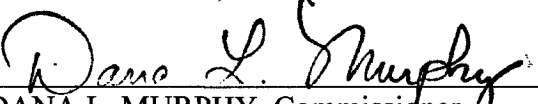
CORPORATION COMMISSION OF OKLAHOMA



PATRICE DOUGLAS, Chairman



BOB ANTHONY, Vice Chairman



DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 1st day of November 2012.

BY ORDER OF THE COMMISSION:




PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:

 10-26-12
Date
CURTIS M. JOHNSON, DEPUTY
ADMINISTRATIVE LAW JUDGE

REVIEWER  10/26/12
Date

APPROVED AS TO FORM
AND CONTENT:

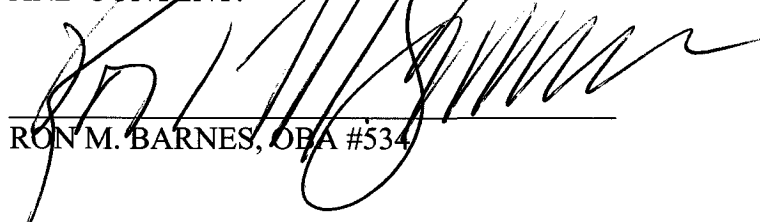

RON M. BARNES, OBA #534

EXHIBIT "A"

1. The Reserve Petroleum Company
6801 N. Broadway, Ste 300
Oklahoma City, OK 73116
2. Lochbuie Limited Partnership
6801 N. Broadway, Ste 300
Oklahoma City, OK 73116
3. K T Graham, LLC
827 NW 63rd St., Ste 202
Oklahoma City, OK 73116
4. Stanley C. Karber and Marva J. Karber,
HWJT
RR 2, Box 100
Balko, OK 73931
5. Samuel C. Karber and Elsie Marie
Karber, HWJT
RR 2, Box 100
Balko, OK 73931
6. Bearcat Land, Inc.
11032 Quail Creek Rd, Ste 102
Oklahoma City, OK 73120
7. Clements Exploration, Co.
2932 NW 156 Street
Edmond, OK 73013

ADDRESS UNKNOWN

None

CURATIVE

8. Mim Lansden or her unknown heirs,
devises, successors and assigns c/o
Robert Don Phelps
PO Box 141084
Broken Arrow, OK 74014
9. Lula G. Benton and James Benton,
remaindermen
Rt 2, Box 100
Balko, OK 73931
10. Charles Richard Scott and Mary Ann
Scott, Trustees of the Charles Richard
and Mary Ann Scott Revocable Trust
dated February 23, 1999
9918 Woodlake Dr.
Dallas, TX 75243
11. Kermit O. Ratzlaff and Ruth E. Ratzlaff,
Trustees of the Kermit O Ratzlaff
Revocable Trust dated April 26, 1999
1 Park Ave #106
Hillsboro, KS 67063

CURATIVE ADDRESS UNKNOWN

None

If any named 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