

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

<b><u>APPLICANT:</u></b>	MEWBOURNE OIL COMPANY	)	CAUSE CD NO.
<b><u>RELIEF SOUGHT:</u></b>	POOLING	)	201207741
<b><u>LAND COVERED:</u></b>	SECTION 31, TOWNSHIP 21 NORTH, RANGE 24 WEST, ELLIS COUNTY, OKLAHOMA	)	ORDER NO.
		)	<b>606330</b>

**ORDER OF THE COMMISSION**

This cause came on for hearing before Michael Norris, Administrative Law Judge for the Corporation Commission, at 8:30 a.m., on the 31<sup>st</sup> day of December, 2012, Jim Thorpe Building, Oklahoma City, Oklahoma.

Richard A. Grimes, Attorney, appeared for the Applicant, **Mewbourne Oil Company**.

The Administrative Law Judge heard the cause and filed his report recommending that the Application be granted, which Report and recommendations are adopted by the Commission.

The Commission, therefore, finds as follows:

**FINDINGS**

1. That this is the application of **Mewbourne Oil Company**, for an order pooling oil and gas interests, designating the Applicant, or some other party as operator, and adjudicating the rights and equities of oil and gas owners described in the Pennsylvanian Virgil Series Formation and Cottage Grove common sources of supply for the 640-acre drilling and spacing unit consisting of Section 31, Township 21 North, Range 24 West, Ellis County, Oklahoma.

2. The Administrative Law Judge conducted an adjudicative inquiry into the sufficiency of the Applicant's search for the identity and whereabouts of those respondents whose addresses are unknown for service of process and could not be ascertained with due diligence. Upon an examination of the record and proof of publication, the Administrative Law Judge found the process to be proper. The Commission finds that the Applicant conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. Notice has been given as required and the Commission has jurisdiction of the subject matter and the parties.

3. (A) The Corporation Commission has heretofore, by Order No. 96903, established 640-acre drilling and spacing unit for the Pennsylvanian Virgil Series Formation common source of supply underlying Section 31, Township 21 North, Range 24 West, Ellis County, Oklahoma.

(B) The Corporation Commission has heretofore, by Order No. 605159, established 640-acre drilling and spacing unit for the Cottage Grove common source of supply underlying said Section 31.

(C) The Applicant is proposing to develop those 640-acre drilling and spacing units as one pooled unit with the intention of penetrating the common sources of supply named hereinabove in the well proposed, and intends to treat each of those common sources of supply in the pooling Order to issue herein as an aggregate.

4. That the Applicant is the owner of the right to drill into the common source of supply named hereinabove, and has not agreed with all of the parties owning a similar right to develop their interests and the common source of supply named herein as a unit, and the Commission should issue an order requiring such owners to pool and develop the common source of supply named herein as a unit.

5. The Applicant proposes to develop said common source of supply as a unit and has proposed an initial well therein, and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop the common source of supply named herein, upon the terms and conditions set forth below, within the "Order" portion hereof, all of which are found hereby, after consideration of the substantial evidence presented 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 its just and fair share of the production. The Applicant offered testimony which established that the terms offered as alternatives to participation were indicative of values associated with acquisition of rights to drill not only the proposed well, but, also any well drilled subsequent thereto on the described unit. The Applicant's witness stated that it was seeking an order which would provide for relinquishment of both the right to drill subsequent wells, and the working interest in such wells, by an owner who elects not to participate in the initial well proposed thereunder.

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

7. That the Operator is the owner of the right to drill into the common source of supply named above, and has furnished the Oklahoma Corporation Commission with a Plugging Agreement and an appropriate Financial Statement, Surety Bond, Irrevocable Letter of Credit, Cash Deposit or Negotiable Instrument, as required by law and the rules of the Commission.

**ORDER**

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

1. That the Applicant proposes to develop the Pennsylvanian Virgil Series Formation and Cottage Grove common sources of supply for the 640-acre drilling and spacing unit consisting of Section 31, Township 21 North, Range 24 West, Ellis County, Oklahoma, by the drilling of a well, or wells thereon, and to develop the common sources of supply above as a unit; and the rights and equities of all oil and gas owners on Exhibit "A" in the unit and common source of supply covered hereby are pooled, adjudicated and determined.

2. a) That estimated well costs for the initial well proposed hereunder are:

Completed as dry hole   -\$1,997,600.00  
Completed for production - \$3,958,100.00

(b) That a cash bonus of **\$1,110.00** per mineral owned by each such owner, plus a proportionate share of an overriding or excess royalty of **1/16th of 8/8ths** is a fair, reasonable, and equitable consideration to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the costs thereof. Such cash bonus, plus such owner's proportionate share of said overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner, except for any normal 1/8th royalty interest as defined in 52 O.S. Section 87.1(e)(1971).

(c) That a cash bonus of **\$1,000.00** per mineral acre owned by each such owner, but a proportionate share of an overriding or excess royalty of **7.5%** on oil and gas is also a fair, reasonable and equitable consideration to be tendered unto each owner who elects not to participate in said development by paying such owner's proportionate part of the costs thereof. Such cash bonus, plus owner's proportionate share of said overriding or excess royalty is satisfaction in full for all rights and interests of such owner, except for any normal 1/8th royalty interest, as defined in 52 O.S. Section 87.1(e) (1971).

(d) That a cash bonus of **\$100.00** per mineral acre owned by each such owner, plus a proportionate share of an overriding or excess royalty of **1/8th of 8/8ths** is a fair, reasonable, and equitable consideration to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the costs thereof. Such cash bonus, plus such owner's proportionate share of said overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner, except for any normal 1/8th royalty interest as defined in 52 O.S. Section 87.1(e)(1971).

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 source of supply is accorded the following elections:

a. To participate in the development of the unit and common source of supply by agreeing to pay such owner's proportionate part of the actual cost of the development of the unit and common source of supply covered hereby, and as to the initial well proposed hereunder, 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 2(a) above, or by securing or furnishing security for such payment satisfactory to the Applicant. In all events, such owner's cost 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, or the securing of such costs, or the furnishing of security therefor, as aforesaid, shall be accomplished within twenty-five (25) days from the date of this order, such owner's proportionate part of the cost of, and of the production from any wells drilled hereunder, to be in proportion to the number of acres such owner has in the unit. As to such participating owner, and the oil and gas interest owned by such owner, the Commission retains continuing jurisdiction hereunder for the purpose of issuance of orders necessary to facilitate further development of the unit and common source of supply covered hereby.

b. To receive the cash bonus plus such owner's proportionate share of the overriding or excess royalty set out in paragraph 2(b) above. Such cash bonus shall be paid or tendered, if same can be paid or tendered, within thirty-five (35) days from the date of this Order. Any owner electing this alternative shall be deemed to have relinquished all of its working interest and right to drill in the unit and common source of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant, unless by virtue of agreement among the participating parties such interest is proportionately shared.

c. To receive the cash bonus plus such owner's proportionate share of the overriding or excess royalty set out in paragraph 2(c) above. Such cash bonus shall be paid or tendered, if same can be paid or tendered, within thirty-five (35) days from the date of this Order. Any owner electing this alternative shall be deemed to have relinquished all of its working interest and right to drill in the unit and common source of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant, unless by virtue of agreement among the participating parties such interest is proportionately shared.

d. To receive the cash bonus plus such owner's proportionate share of the overriding or excess royalty, as set out in paragraph 2(d) above. Such cash bonus shall be paid or tendered, if same can be paid or tendered, within thirty-five (35) days from the date of this Order. Any owner electing this alternative shall be deemed to have

relinquished all of its working interest and right to drill in the unit and common source of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant, unless by virtue of agreement among the participating parties such interest is proportionately shared.

**PROVIDED**, if any payment of bonus due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within ninety (90) days after the date of this Order and shall not be commingled with any funds of an 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.

**PROVIDED**, if any payment of bonus due and owing under this Order cannot be made for any other reason, including, but not limited to, a valid title dispute raised by an Attorney, then such bonus shall be paid into an escrow account and shall not be commingled with any funds of an Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds.

**PROVIDED**, however, 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 will create a burden on such interests, in excess of the normal 1/8 royalty defined above, then such excess royalty, overriding royalty or other payment out of production should be charged against the overriding royalty as hereinabove set forth, and the same should be reduced by the amount of any such excess.

**PROVIDED**, further, in the event the oil and gas interest of any owner electing an alternative to participation in the drilling of a well in the unit 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 2(b) or 2(c) above, then such owner shall be limited to the alternatives set out

in such paragraphs for which that owner can deliver a net revenue interest equal to, or less than, that offered by such alternative.

**PROVIDED**, further, in the event the oil and gas interest of any owner electing an alternative to participation in the drilling of a well in the unit 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 2(b) above, then such owner shall be limited to the alternatives set out in paragraphs 2(c) and 2(d) above. **PROVIDED**, however, in the event the oil and gas interest of any such 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 2(c) above, then such owner shall be limited to the alternative set out in such paragraph 2(d) above.

4. That each owner subject hereto may make any of the elections provided herein as to all or any part of the interest of such owner in the unit and must give notice as to which of the elections stated in paragraph 3(a), 3(b), 3(c) and 3(d) such owner accepts.

5. That each owner of the right to drill in said drilling and spacing unit to said common source(s) of supply covered hereby who has not agreed to develop said common source of supply as a unit, other than the Applicant, shall elect which of the alternatives set out in paragraph 3 above such owner accepts. Said election is to be made to the Applicant and Operator, in writing, within twenty (20) days from the date of this Order. In the event any such 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 the alternative provided in paragraph 2(b) hereinabove. **PROVIDED**, however, in the event the oil and gas interest of any such 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 2(b) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(c) above. **PROVIDED**, further, in the event the oil and gas interest of any such 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 2(c) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(d) above. In the event any owner elects to do other than participate in the initial well proposed to be drilled hereunder by paying its proportionate 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 such well, and any well drilled subsequent thereto, except for any normal 1/8th royalty interest, defined above, or other share in production to which such owner may be entitled by reason of any election hereunder.

6. If an owner who has participated in the cost and expense of drilling the unit proposes to drill a well, or conduct an operation, subsequent to the initial well drilled

hereunder into the common source of supply named in Paragraph 1 above, it shall mail a written proposal of that operation to each owner subject hereto who participated in the cost and expense of drilling said initial well. That proposal shall specify the location, estimated cost and estimated total depth of the proposed subsequent operation. The owners to whom such proposal is mailed shall have twenty (20) days from their receipt of that proposal within which to elect in writing to the Applicant whether they elect to participate in the cost of such subsequent operation; or, in the alternative, to elect one of the alternatives to participation set out in 2(b),(c) and (d) above.

An owner electing to participate in the proposed subsequent operation shall pay to the Applicant its share of completed for production costs within five (5) days following expiration of the twenty (20) day election period provided in the preceding paragraph.

If an owner fails to make a written election in response to the proposal of the subsequent operation; or, after electing to participate, fails to pay the Operator its share of completed for production costs within the five (5) day period provided above, such owner shall be deemed to have taken the alternative provided in Paragraph 2(b) above. PROVIDED, however, in the event the oil and gas interest of any such 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 2(b) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(c) above. PROVIDED, however, in the event the oil and gas interest of any such 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 2(c) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(d) above.

An owner who elects not to participate in the cost and expense of the proposed subsequent operation, or who is deemed not to participate, shall relinquish all of its working interest and right to drill in the unit and common source of supply covered hereby as to the proposed subsequent operation and as to any operations performed or wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant, unless by virtue of agreement among the participating parties such interest is proportionately shared.

The proposed subsequent operation shall be commenced within 180 days from the date of the written proposal of that operation, and shall be diligently prosecuted to completion. If said operation is not commenced within the 180-day period, the rights relinquished by owners under this paragraph 6 as a result of said proposal shall be reverted in those owners.

For purposes of this paragraph 6, any owner who participates in the risk and expense of a well drilled under this order shall notify the Applicant of any assignment or transfer of its interest in the drilling and spacing unit. The Applicant shall then be obligated to mail the written proposal described above to that assignee, or transferee.

A "subsequent well" shall not include or cover any sidetrack operation in the initial unit well or any subsequent well covered hereby when said sidetrack operation is conducted only to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. No parties shall have the right to make any subsequent elections as to any such sidetrack operation described in the preceding sentence. A sidetrack operation, however, for any other reason shall be considered a "subsequent well" and shall fall within the terms set forth herein; provided however, that an election not to participate in such a sidetrack operation will constitute a relinquishment of a non-consenting party's participation rights in the wellbore only of the sidetrack well, notwithstanding anything provided to the contrary in this subsequent operations provision.

In the event a well is then producing on the unit from one or more of the spaced formations, an additional well to be produced from the same producing spaced formation may not be proposed until such time as the Corporation Commission has issued a final order authorizing such increased density well. Provided, further, no well may be proposed to be drilled at an off-pattern location for the unit until the Corporation Commission has issued a final order authorizing such location exception.

The term "subsequent well" or "subsequent operation" for purposes of this paragraph shall not include any side-tracking or other operation with respect to the initial or any subsequent well, and shall not include any well that is drilled as a replacement or substitute well for the initial 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 any such well, and no party subject to this Order shall have the right to make any subsequent elections as to any such side-tracking, replacement well, or substitute well.

7. That Operator, 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 initial well drilled hereunder by paying such owner's proportionate part of the costs thereof. Such lien shall be upon any such owner's share of the production from the unit to the extent that costs incurred in the development and operation upon such unit are charged against such interest by order of the Commission or by operation of law. The owner, or owners, drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to production from such well which would be received by the owner or owners for whose benefit the well was drilled or operated, after payment of royalty, until the owner or owners drilling or operating the well have been paid the amount due under the terms of this Order.

8. In the event any owner elects to participate in a unit well by paying its proportionate part of the costs 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 2(a) above; or, fails or refuses to pay or make any arrangements satisfactory to the Applicant for the payment thereof, all within the periods of time as prescribed in this order, then such owner is deemed to have taken the alternative provided in paragraph 2(b) above. PROVIDED, however, in the event the oil and gas interest of any such 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 2(b) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(c) above. PROVIDED, further, in the event the oil and gas interest of any such 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 2(c) above, the owner of any such interest shall be deemed to have taken the alternative provided in paragraph 2(d) above. Such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in such well and in any well drilled subsequent thereto, except for any normal 1/8th royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder. Thereupon, and if the Applicant is required to make a payment of cash bonus under the terms of paragraph 2(b), 2(c) and 2(d), such payment shall be made by the Applicant within thirty-five (35) days after the last day of which such defaulting owner, under this Order, should have paid its proportionate part of such costs or should have made satisfactory arrangements for the payment thereof.

8. That:

**Mewbourne Oil Company  
211 North Robinson, Suite 2000  
Oklahoma City, OK 73102  
(405) 235-6374**

is designated as Operator of the unit, and common source of supply named herein and the well, or wells, drilled hereunder. All elections must be communicated to Operator at the address above as required in this Order. Operator shall be required to pay all bonuses which may become due and payable under the terms of this Order.

9. The payment of cash bonus and royalty hereunder is subject to Operator's receipt of a fully completed and executed Internal Revenue Service Form W-9 by the applicable respondent.

10. That the Operator must commence operations for the drilling of the initial well proposed hereunder, or other operations with respect to said well covered hereby within one hundred eighty (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 bonuses hereunder.

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

**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 8 DAY OF January, 2013.

BY ORDER OF THE COMMISSION:

*Peggy Mitchell*

\_\_\_\_\_  
PEGGY MITCHELL  
Secretary of the Commission

APPROVED AS TO CONTENT AND FORM:

*Richard A. Ginn*

\_\_\_\_\_  
ATTORNEY FOR APPLICANT

**REPORT OF THE ADMINISTRATIVE LAW JUDGE**

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

*Michael Norris*

\_\_\_\_\_  
Michael Norris,  
Administrative Law Judge

1-3-13  
\_\_\_\_\_  
Date

*[Signature]*

\_\_\_\_\_  
Technical Review

1-4-13  
\_\_\_\_\_  
Date

**EXHIBIT "A"**

**Listed below are all owners of oil and gas interests subject to this Pooling Order:**

1. Farmers Royalty Company  
3829 N. Classen Blvd., Suite 101  
Oklahoma City, OK 73118
2. Panhandle Oil and Gas, Inc.  
5400 N. Grand Blvd., Suite 300  
Oklahoma City, OK 73112
3. Bonnie Weninger  
N11915 State Road 175  
Brownsville, WI 53006
4. Jean Reeves  
P.O. Box 1363  
Muskogee, OK 74402
- 4a. Upland Exploration, Inc.  
3303 FM 1960  
Houston, TX 77068
5. Chesapeake Exploration, LLC  
P.O. Box 18496  
Oklahoma City, OK 73154
6. Jeffery Kubeck  
**Address Unknown**
7. Shirley Ann Kubeck  
**Address Unknown**
8. Vernon L. Wood  
**Address Unknown**