

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT:)
)
CANYON CREEK RESOURCES, LLC)
)
RELIEF REQUESTED:) CD 201302226-T
)
POOLING)
)
LEGAL DESCRIPTION:) ORDER NO. **611615**
)
)
NORTHEAST QUARTER (NE/4) OF)
SECTION 7, TOWNSHIP 8 NORTH,)
RANGE 20 WEST, WASHITA COUNTY,)
OKLAHOMA)

REPORT OF THE COMMISSION

FINDINGS AND ORDER

1. Administrative Law Judge, Date and Place of Hearing. This cause came on for hearing before an Administrative Law Judge for the Corporation Commission of Oklahoma, on the 15th and 30th day of April, 2013, at 8:30 a.m., in the Commission Courtroom, Eastern Regional Service Office, 440 South Houston, Suite 114, Tulsa, Oklahoma 74127, for the purpose of hearing, taking testimony and reporting findings and recommendations to the Commission. The Administrative Law Judge heard the cause and filed a report with the Commission, which report has been considered and the Commission therefore finds, adjudicates and orders as follows:

2. Appearances: Stephen R. McNamara, attorney, appeared for the Applicant, Canyon Creek Resources, LLC; and Freda Williams, attorney, appeared for Chesapeake Exploration, LLC.

3. Jurisdiction and Notice. The Commission has jurisdiction over the subject matter herein and of the persons interested therein and has jurisdiction to enter this order as hereinafter set forth. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publisher's affidavits of publication thereof, and the certification of mailing, and the Administrative Law Judge conducted a judicial inquiry into the sufficiency of Applicant's search to determine the names and whereabouts of the respondents who were served by publication and based upon the evidence adduced the Commission finds that Applicant has exercised due diligence and has conducted a

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

meaningful search of reasonably available sources at hand. The Commission hereby approves the publication service given herein as meeting the statutory requirements, rules of the Commission and minimum standards of state and federal due process, and finds that notice has been given in all respects as required by law and the rules of the Commission.

4. Amendments. None.

5. Dismissals. At the hearing on April 30, 2013, Respondents No. 3 (88 Petroleum Company, Inc.), No. 7 (Ann Godfrey Stewart Doyle), and No. 20 (Jeffrey P. Smith) were dismissed.

6. Relief Requested.

6.1 This is the application of Canyon Creek Resources, LLC for an order pooling the interests, designating an operator, and adjudicating the rights and equities of oil and gas owners in the Common Sources of Supply underlying the Northeast Quarter (NE/4) of Section 7, Township 8 North, Range 20 West, Washita County, Oklahoma.

The Respondents named in the Application are those parties shown on Exhibit "A" attached as a part hereof and incorporated into this Order by reference. If any named natural person is deceased, then the known or unknown heirs, executors, administrators, trustees, devisees and assigns, immediate and remote, of such decedent are made Respondents to this Application. If any named Respondent is a corporation which does not continue to have legal existence, then the known or unknown successors, trustees or assigns, if any, of such entity are made Respondents to this Application.

6.2 Spacing. By the following set out orders, the Commission formed 160-acre drilling and spacing units for the Northeast Quarter (NE/4) of Section 7, Township 8 North, Range 20 West, Washita County, Oklahoma for the following named separate Common Sources of Supply, to-wit:

<i>Missourian Granite</i>	309682
<i>Des Moines Granite</i>	309682
<i>Cisco Granite</i>	309682

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

- 6.3 Initial Unit Well: The proposed Little #1-7 well when drilled in the Subject Lands, shall constitute the initial unit well drilled hereunder.
- 6.4 Special Finding: Applicant's testimony and evidence revealed that its proposed well was intended to penetrate all of the Common Sources of Supply named in sub-Paragraph 6.2 hereof and, if warranted, to simultaneously perforate and produce from each such Common Source of Supply. Alternatively, utilizing generally accepted engineering practices, the Applicant could leave one or more zones behind pipe to be produced at a later date as production, pressure and geological factors may dictate. Therefore, the Applicant is treating the Common Sources of Supply named in this Pooling Order in the aggregate and intends to examine each such Common Source of Supply for its productive capabilities by the drilling of the proposed well.

7. Relief Granted.

- 7.1 The relief requested, as described above, is hereby granted so that the rights and equities of the owners involved herein are hereby pooled, adjudicated and determined as to the drilling and developing of the production of oil and gas from the separate Common Sources of Supply in the 160-acre drilling and spacing units formed for such separate Common Sources of Supply in the Northeast Quarter (NE/4) of Section 7, Township 8 North, Range 20 West, Washita County, Oklahoma.
- 7.2 Options. The fair and reasonable compensation to be paid to the owners of drilling rights or working interest named and described in Exhibit "A" attached hereto and made a part hereof, in lieu of the right to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved herein under the plan of development established in this order, as is set forth below in subparagraphs (i), (ii), or (iii) of this paragraph, and each of the parties owning drilling rights or working interest herein pooled is hereby accorded the following options:
- (i) Participation. To participate in the working interest in and the development of the separate Common Sources of Supply in

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

the drilling and spacing unit involved in this cause under the plan of development established in this order by agreeing to pay such owner's proportionate part of the actual cost of any well covered hereby and by paying as set forth herein, to Operator, such owner's proportionate part of the **\$1,631,426.00** estimated cost of the proposed initial unit well covered hereby, or in lieu of such payment, furnishing to Operator security satisfactory to Operator for the payment thereof within twenty-five (25) days of the date of this order so as to perfect such election to so participate; such owner's proportionate part of the cost of, and of the production from, any such well to be in the proportion that the number of net mineral acres in the unit covered by the drilling rights or working interest owned by such owner bears to the entire number of mineral acres in such unit; or

- (ii) Cash Consideration + Excess Royalty. In lieu of participating in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause and the land covered hereby to elect to receive a cash sum of **\$275.00** per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, plus a **1/16th** excess royalty or overriding royalty (in addition to the normal 1/8th royalty as defined in 52 O.S. §87.1) in the maximum amount of **6.25% of 8/8ths** of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, the same to be delivered into the lease tank or into the pipeline to which any such well is connected, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, completing, testing, equipping, operating and producing of any such well covered hereby; provided, however, in the event such owner's interest is burdened by a royalty, overriding royalty or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as burdens), such burdens shall be charged against such excess royalty or overriding royalty of **6.25% of 8/8ths** and that such excess royalty or overriding royalty shall be reduced by the amount of any such burdens and therefore any owner electing this option shall deliver under this order a net revenue

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

interest of **81.25% of 8/8ths** of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, with such net revenue interest being determined by deducting from such owner's share of production all existing royalties, excess or overriding royalties (including the one provided for immediately above) and other non-operating or non-costbearing burdens; and provided further than such excess royalty or overriding royalty of **6.25% of 8/8ths**, subject to the reduction provided for immediately above, and such revenue interest of **81.25% of 8/8ths** shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the unit covered by the drilling rights or working interest owned by such owner and relinquished under this subparagraph bears to the entire number of mineral acres in such unit;

- (iii) No Cash Consideration - Excess Royalty. In lieu of participating in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause and the land covered hereby or electing the option set forth in subparagraph (ii) above, to elect to receive a sum of **\$0.00** per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, plus a **1/8th** excess royalty or overriding royalty (in addition to the normal 1/8th royalty as defined in 52 O.S. §87.1), in the maximum amount of **12.5% of 8/8ths** of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, the same to be delivered into the lease tank or into the pipeline to which any such well is connected, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, completing, testing, equipping, operating and producing of any such well covered hereby; provided, however, in the event such owner's interest is burdened by a royalty, overriding royalty or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as burdens), such burdens shall be charged against such excess royalty or overriding royalty of **12.5% of 8/8ths** so that such excess royalty or overriding royalty shall be reduced by the amount of any such burdens

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

and therefore any owner electing this option shall deliver under this order a net revenue interest of **75% of 8/8ths** of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, with such net revenue interest being determined by deducting from such owner's share of production all existing royalties, excess or overriding royalties (including the one provided for immediately above) and other non-operating or non-costbearing burdens; and provided further that such excess royalty or overriding royalty of **12.5% of 8/8ths**, subject to the reduction provided for immediately above, and such delivered net revenue interest of **75% of 8/8ths** shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the unit covered by the drilling rights or working interest owned by such owner and relinquished under this subparagraph bears to the entire number of mineral acres in such unit;

provided, however, if the drilling rights or working interest of any owner herein pooled is subject to royalties, excess royalties, overriding royalties, production payments and other burdens on production totaling more than **6.25% of 8/8ths** of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of **81.25% of 8/8ths** of such production, then such owner may elect only the options set forth in subparagraphs (i) or (iii) above. Any cash bonus which becomes payable under this order by virtue of any election or constructive election made with regard to the proposed initial unit well involved herein shall be paid or tendered by Applicant, and in connection with any such election or constructive election as to such initial unit well, Applicant shall acquire from the owners herein pooled all force pooled acreage, being the interests, if any, relinquished hereunder by the owners herein pooled who elected or were deemed to have elected not to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved herein under the plan of development established in this order. In the event any owner elects or is deemed to have elected to do other than participate in the working interest in and the development of the separate Common

**CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER**

Sources of Supply in the drilling and spacing unit involved in this cause, such owner shall be deemed to have relinquished under this order all of such owner's right, title, interest or claim in and to the separate Common Sources of Supply in the drilling and spacing units involved herein in the land covered hereby (including the proposed initial unit well and any subsequent well or wells under the plan of development of such units established in this order), except for the normal 1/8th royalty as defined above and any other share in production to which such owner may be entitled by virtue of any election or constructive election hereunder. Subject to the proviso set forth immediately above (in regard to a limitation on the available options due to burdens on the drilling rights or working interest of any owner herein pooled), any owner whose drilling rights or working interest is herein pooled may make an election (covering such owner's full interest in the land involved herein as to the separate Common Sources of Supply covered hereby) of any one or more of the applicable options set forth in subparagraphs (i), (ii) and (iii) above, and if such owner's election covers more than one of such applicable options, such owner shall specify in such election the portion of such owner's interest to be allocated to each such separate option so elected.

- 7.3 Election Period. Within the period of twenty (20) days after the date of this order, each owner whose drilling rights or working interest is herein pooled shall deliver to Applicant, **Canyon Creek Resources, LLC, ATTN: Steve McNamara, Jr., 2431 East 61st Street, Suite 260, Tulsa, Oklahoma 74136; (918) 561-6737**, a written election covering such owner's full interest in the land involved herein as to the separate Common Sources of Supply in the drilling and spacing units covered hereby of one or more of the applicable options set forth in subparagraphs (i), (ii) and (iii) of ¶7.2 above, subject to the terms, conditions and limitations set forth in such paragraph. A timely election shall be deemed to have been made if such owner on or before the last day of such 20-day election period has sent such written election by telegram or telefax to Applicant at the address set forth above, or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Applicant at the address set forth above.

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

8. Failure to Properly Elect. In the event any owner whose drilling rights or working interest is herein pooled shall fail to timely and properly elect in writing under ¶7.3 above, as to all or any portion of such owner's interest in the unit involved herein, such owner as to such interest or the portion thereof not covered by a timely and proper written election shall be deemed to have elected not to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order and shall be deemed to have elected the option contained in subparagraph (ii) of ¶7.2, if the drilling rights or working interest of such owner is subject to royalties, excess royalties, overriding royalties, production payments or other burdens on production which total not more than **3/16th of 8/8ths** of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is able to deliver under this order a net revenue interest of **81.25% of 8/8ths** of such production, otherwise, the option contained in subparagraph (iii) of ¶7.2.

9. Well Costs - Initial Unit Well and Default.

9.1 Well Costs - Initial Well Unit. For the purposes of this order, the sum of **\$988,052.00** is fixed as the cost of the proposed initial unit well as a dry hole under the plan of development of the unit involved herein as established in this order; and for the purposes of this order, the sum of **\$1,631,426.00** is fixed as the cost of such proposed initial well as a producing unit well under the plan of development of the unit involved herein as established in this order; and in the event there is a dispute as to well costs incurred in connection with the initial unit well involved herein or as to the work performed on such well, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with such well and the work performed on such well were both necessary and reasonable; and furthermore, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with any other well drilled subsequent to such initial unit well under the plan of development established in this order for the unit involved herein and the work performed on any such subsequent well were both necessary and reasonable.

9.2 Default by Participating Owner. In the event an owner whose drilling rights or working interest is pooled herein elects under ¶7.2(i) above, but thereafter fails or refuses to pay or secure the

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

payment of such owner's proportionate part of the cost of such proposed initial well under the plan of development of the unit involved herein as provided in subparagraph (i) of said ¶7.2, such owner shall be deemed to have withdrawn such owner's election to so participate and such owner (as to such owner's interest in the unit involved herein or the portion thereof covered by such initial election to so participate) shall be deemed to have failed to have affirmatively elected any other option afforded in ¶7.2 above, and is thus subject to the provisions of ¶8 above; and in the event of such owner's failure or refusal to so pay or secure the payment of such well costs, any cash bonus which becomes payable under this order to such owner shall be paid or tendered within thirty (30) days after the last date on which such defaulting owner under this order could have paid or made satisfactory arrangements for the payment of such well costs.

10. Payment of Cash Sums and Escrow Accounts Therefor.

10.1 Payment of Cash Bonus. Any cash bonus which becomes payable by Applicant under this order by virtue of any election or constructive election made with regard to the proposed initial well involved herein shall be paid or tendered within thirty (30) days after the date of this order, except as provided in ¶9.2 above, or unless the owner entitled to such funds cannot otherwise be paid as provided below.

10.2 Escrow Account Under 52 O.S. §551, et seq. If any payment of cash bonus due and owing under this order by virtue of any election or constructive election made with regard to the proposed initial well involved herein cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus shall be deposited (credited) into an escrow account within ninety (90) days after the date of this order as provided by 52 O.S. §551, *et seq.* and OAC 165:10-25-1, *et seq.* Any royalty payments or other payments due under this order to any such owner who cannot be located or who is unknown shall also be deposited (credited) into an escrow account established by the holder of such funds as provided in 52 O.S. §551, *et seq.* and OAC 165:10-25-1, *et seq.* The responsibility for filing reports with the Commission as required under Oklahoma law and the Commission rules, as cited above, as to bonus, royalty or other payments deposited (credited) in any such escrow account shall be held for the exclusive use of, and sole benefit of, the person

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

entitled thereto until such funds can be paid to such owner or until the holder of such funds relinquishes the funds to the Commission as required by law. It shall be the responsibility of Operator to notify all other holders of this provision and of the Commission rules cited above regarding unclaimed monies under pooling orders.

- 10.3 Other Escrow Account. If an owner whose drilling rights or working interest is pooled herein refused the cash bonus or any other funds due hereunder or if such owner's interest in the unit involved in this cause has a defect or cloud in the title thereof or if such owner cannot be paid the cash bonus or any other funds due hereunder for any reason other than the reasons set forth in ¶9.2 above, the holder of such cash bonus or other funds may deposit (credit) such cash bonus or other funds due such party into an internal escrow account established in the accounting records of such holder and such cash bonus or other funds shall be credited to such account for the benefit of such owner. Any funds deposited (credited) in any escrow account as described above shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner or such owner accepts such funds or until such title defect or cloud is cured or removed to the satisfaction of the party responsible or liable for and holding such funds.

11. Operator. Canyon Creek Resources, LLC is hereby designated as Operator under the plan of development established in this order for the separate Common Sources of Supply in the drilling and spacing units covered hereby, including the proposed initial unit well under such plan of development of such unit, and all communications to such operator shall be addressed as follows:

**Canyon Creek Resources, LLC
2431 East 61st Street, Suite 260
Tulsa, Oklahoma 74103-3136**

Operator has on file with the Commission a plugging agreement and appropriate security for such agreement.

12. Commencement of Operations. If operations on the initial well unit under the plan of development established in this order have not been commenced as of the date of this order, Operator shall commence or cause to be commenced operations on such initial unit well within ***one hundred-eighty (180) days*** from the date of this order and in

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

any event, shall continue or cause to be continued operations on such initial unit well with due diligence; otherwise, the provisions hereof shall be inoperative and this order shall terminate, unless the time for commencement of such operations on such initial well is extended by an order of the Commission. Provided, however, in the event Operator fails to timely commence such initial well or to continue operations on such well with due diligence and this order terminates thereby, as described above, the obligation to pay any cash bonus which has become due and payable hereunder shall not terminate.

13. Operator's Lien. Operator, in addition to any other rights afforded Operator shall have a lien on the mineral leasehold estate or rights owned by the other owners in the unit involved herein and upon their shares of the production from any well covered hereby to the extent that costs incurred in the development and operations upon the drilling and spacing unit involved herein are a charge against such interests. Such liens shall be separable as to each separate owner within each of the drilling and spacing unit involved herein and shall remain liens until the owner or owners drilling or operating any well covered hereby have been paid such amounts due. The owner or owners drilling, or paying for the drilling, or for the operation of any well covered hereby for the benefit of all shall be entitled to production from any 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 any such well have been paid such amount due. No part of the production or proceeds accruing to any owner of a separate interest in any of the drilling and spacing unit involved herein shall be applied toward payment of costs chargeable to any other interest in any such units.

14. Subsequent Wells.

14.1 If subsequent to the initial well drilled on the unit involved herein, another well is proposed in the drilling and spacing unit covered hereby under the plan of development established in this order, Applicant shall send written notice of such proposed subsequent well to each party who timely and properly elected under ¶7.2(i) above, and who perfected such election, to so participate in the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under such plan of development. Such written notice shall contain a brief description of such proposed subsequent well and shall include the estimated costs of such well as a dry hole and as a producing well. Each party entitled to the above-described written notice of such subsequent well shall have **twenty (20) days** after receipt of such written notice to make a written election to continue to participate in the working interest in and the

**CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER**

development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order as to such proposed subsequent well or in lieu thereof, to elect the option to receive from the Applicant the sum of **\$275.00** dollars per net mineral acre and to deliver to the Applicant its working interest share of production in and to the proposed subsequent well reserving an excess or overriding royalty interest equal to the difference between the normal 1/8th royalty (as defined in 52 O.S. §87.1), overriding royalty and other burdens and **6.25%**, so as to deliver to Applicant not less than an **81.25%** net revenue interest provided, however, that if such party cannot deliver an **81.25%** net revenue interest as of the date of this Order then, in that event, such party shall deliver to the Applicant its working interest share of production in and to the proposed subsequent well for **\$0.00** cash and an excess or overriding royalty interest equal to the different between the normal 1/8th royalty (as defined in 52 O.S. § 87.1) overriding royalty and other burdens and **12.5%** so as to deliver to Applicant not less than a **75%** net revenue interest. A timely election under this paragraph shall be deemed to have been made if such party on or before the last day of such 20-day period has sent such written election by telegram, telegraph, or telefax to Applicant at its address listed in ¶11 above or such address as may be listed on the proposal, or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Applicant at the address set forth above. The only respondents whose interests are pooled herein are entitled to make any elections as to such proposed subsequent well shall be the parties who timely and properly elected under ¶7.3 above to participate as working interest owners under subparagraph (i) of ¶7.2 above, and who perfected such elections to so participate in the working interest in, and the development of, the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order. Any respondent who did not elect under ¶7.3 above to participate as a working interest owner in the plan of development established in this order under subparagraph (i) of ¶7.2 above, or who failed to properly perfect an election to so participate as such working interest owner and who elected or was deemed to have elected the option under subparagraphs (ii) or (iii) of said ¶7.2, shall have no right to make any further election as to such

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

subsequent well or any further subsequent well or wells under such plan of development. In like manner, those Respondents who may have opted to split their election under this order as provided for in ¶7.2 above, shall only be entitled to make elections as to such proposed subsequent well with the proportion of their ownership interest which said Respondent designated to have elected to participate as a working interest owner under subparagraph (i) of ¶7.2 above.

- 14.2 In the event a party who is entitled to make a written election to a subsequent well as described in ¶14.1 above shall fail to timely and properly to elect in writing under such paragraph as to all or any portion of such owner's interest in the drilling and spacing unit involved herein, such owner, as to such interest or the portion thereof not covered by a timely and proper written election shall be deemed to have elected to receive from applicant the sum of **\$275.00** dollars per net mineral acre in the unit and to deliver to the Applicant its working interest share of production at a **81.25%** net revenue interest or, alternatively, (if unable to deliver to Applicant a **81.25%** net revenue interest as of the date of this Order) the sum of **\$0.00** dollars per net mineral acre in the unit and to deliver to Applicant its working interest share of production at a **75%** net revenue interest as described in ¶14.1 above. In the event a party who is entitled to make a written election as to a subsequent well as described in ¶14.1 above elects or is deemed to have elected not to continue to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order, then such owner shall be deemed to have relinquished under this order all of such owner's right, title, interest or claim in and to the separate Common Sources of Supply in the drilling and spacing unit involved herein as to such proposed subsequent well and any further subsequent well or wells under such plan of development, except for the normal 1/8th royalty as defined in ¶7.2 above, and any other share in production to which such owner may be entitled by virtue of any election or constructive election hereunder. A party's election or constructive election not to continue to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved herein under the plan of development established in this

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

order as to a subsequent well (and any further subsequent well or wells) shall not divest or otherwise affect in any manner the rights and working interest of such party in any prior well or wells drilled under such plan of development in which such party elected, and perfected such election, to participate or to continue to participate as a working interest owner. Any party entitled to make a written election as to a proposed subsequent well as described herein, who elects as to the proposed subsequent well to continue to participate, and who perfects such election under this section to continue to so participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order shall participate as a working interest owner in such proposed subsequent well and shall retain the right to participate as a working interest owner in any further subsequent well or wells drilled under such plan of development. Each well subsequent to the initial unit well involved herein shall be handled in a manner identical to the first subsequent well, all as described in this Section 14.

- 14.3 Any party entitled to make a written election as to a subsequent well who elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order shall thereby agree to pay such party's proportionate part of the actual cost of such proposed subsequent well and shall pay to Operator such owner's proportionate part of the estimated cost of such proposed subsequent well, or in lieu of such payment, furnishing to Operator security satisfactory to Operator for payment thereof, within *twenty-five (25) days* from the date of receipt of the written notice of such proposed subsequent well as described in this Section 14, and upon such timely payment or furnishing of such satisfactory security, such party's election to continue to participate as to such subsequent well shall be perfected. In the event an owner entitled to make a written election as to a subsequent well elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order, but

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the estimated cost of such proposed subsequent well within the time period and in the manner described above, such owner shall be deemed to have withdrawn such owner's election to continue to so participate and such owner shall be deemed to have elected to receive from Applicant the sum of **\$275.00** dollars per net mineral acre in the unit and to deliver to Applicant its working interest share of production in and to the proposed subsequent well reserving an overriding royalty interest, equal to the difference if any between the then-existing normal 1/8th royalty, overriding royalty and other burdens and **6.25%** so as to deliver to Applicant not less than an **81.25%** net revenue interest or, alternatively, (if such owner is unable to deliver a **81.25%** net revenue interest as of the date of this Order), to receive from the Applicant the sum of **\$0.00** dollars per net mineral acre in the unit and an overriding royalty interest equal to the difference, if any, between the then existing normal 1/8th royalty, overriding royalty and other burdens and **12.5%** so as to deliver to Applicant not less than a **75%** net revenue interest as set forth in ¶14.1 above, in lieu of continuing to participate as a working interest owner as to such proposed subsequent well and any further subsequent well or wells under such plan of development. In the event there is a dispute as to the well costs incurred in connection with or as to the work performed on any subsequent well under the plan of development established in this order after the work has been done on such well, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with such subsequent well and the work performed on such well were both necessary and reasonable.

- 14.4 As to any subsequent well proposed under this Section 14, Operator shall commence or cause to be commenced operations on such subsequent well within ***one hundred-eighty (180) days*** from the date of the written notice proposing such subsequent well and Operator shall continue or cause to be continued such operations on such subsequent well with due diligence. If such operations on such proposed subsequent well are not commenced within the above-described 180-day period, then the elections of the parties as to such proposed subsequent well shall expire and such parties shall be in the same position they were in immediately prior to the written notice of

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

such subsequent well being sent by Applicant; and in such event, the rights acquired from the parties electing not to continue to participate in the working interest in and the development of the separate Common Sources of Supply in the drilling and spacing unit involved in this cause under the plan of development established in this order shall be relinquished by Applicant (and any other acquiring party) and such relinquished rights shall revert in such parties who elected not to continue to so participate. Failure to timely commence any subsequent well under this ¶14 shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled prior thereof under the plan of development established in this order and shall not terminate such plan of development.

- 14.5 All bonus monies due to a party who elects, (or who has been deemed to have elected) not to participate in a proposed subsequent well shall be paid by the Applicant to such party within ***thirty (30) days*** from the date of receipt of the written notice of such proposed subsequent well.
- 14.6 A "subsequent well" for purposes of this ¶14 shall not include or cover any wellbore that is drilled as a replacement or substitute wellbore for the initial unit well or any subsequent well covered hereby because of any mechanical or other problems arising directly in connection with the drilling, completing or equipping of such initial unit well or any such subsequent well and no parties shall have the right to make any subsequent elections as to any such replacement or substitute wellbore.

15. Special Findings. Applicant exercised due diligence to locate each of the parties named as a respondent in this cause. Furthermore, Applicant has made a bona fide effort to reach an agreement with each respondent in this cause, who could be located, as to how the unit involved in this cause would be developed and Applicant has been unable to reach an agreement with the owners named and described as respondents in this cause. Applicant is the owner of the right to drill a well into and produce hydrocarbons from the separate Common Sources of Supply in the drilling and spacing unit involved herein by virtue of the ownership of valid and subsisting oil and gas leases or undivided interests therein, covering the land involved herein.

**CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER**

16. Mailing of Order and Affidavit in Connection Therewith. Applicant, or its attorney, shall file an affidavit with the Commission within ten (10) days from the date of this order stating that a true and correct copy of this order was mailed within three (3) days from the date of this order to each owner whose interest is pooled by this order and who could be served. The name and address of each such owner shall be set out in the affidavit, if known.

17. Reasons for Relief Granted. In order to avoid the drilling of unnecessary wells and to protect the correlative rights of all owners with respect to the separate Common Sources of Supply involved herein, the owners of the right to drill who have not heretofore reached an agreement with respect to the drilling and spacing unit involved herein should be required to pool their interests and develop such drilling and spacing units as a unit, upon the terms and conditions set out in this order, all of which terms and conditions are found hereby, after consideration of the evidence presented in this cause, to be supported by substantial evidence and to be just and reasonable and such as will afford each owner in each such unit the opportunity to recover or receive, without unnecessary expense, each such owner's just and fair share of the production from such unit. In particular, the fair market value of drilling rights in the land involved herein and the options based thereon as recommended by Applicant are supported by substantial evidence.

CANYON CREEK RESOURCES, LLC
CD 201302226-T (POOLING)
ORDER

The relief requested herein is necessary to prevent or assist in preventing the various types of waste prohibited by law and to protect or assist in protecting the correlative rights, and such requested relief, as set forth above, should be granted in the manner set forth above, and IT IS SO ORDERED.

DONE AND PERFORMED this 14 day of May, 2013.

CORPORATION COMMISSION OF OKLAHOMA

Patrice Douglas
PATRICE DOUGLAS, Chairman

Bob Anthony
BOB ANTHONY, Vice Chairman

Dana L. Murphy
DANA L. MURPHY, Commissioner

ATTEST:

Peggy Mitchell
Peggy Mitchell, Secretary of the Commission

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

Kathleen M. McKeown
Administrative Law Judge

Date

5/8/13

Curtis M. Johnson
Reviewer

Date

5-8-13

APPROVED AS TO FORM
AND CONTENT

Stephen R. McNamara
STEPHEN R. MCNAMARA, OBA #6071

Cheri Kempthorne, Legal Assistant
McNamara, Inbody & Parrish, PLLC
1437 South Boulder Avenue, Suite 1210
Tulsa, Oklahoma 74119-3609
918/599-0300 office
918/599-0310 fax

EXHIBIT "A"

**RESPONDENTS WITH KNOWN
ADDRESSES:**

1. Chesapeake Exploration, LLC
(f/k/a AnSon Production Corporation)
P.O. Box 18496
Oklahoma City, OK 73154
3. DISMISSED
4. CRS Minerals, LLC
Christopher Reed Stewart
4730 Park View Lane
Glendale, Arizona 85301-3023
5. Patricia Margaret Stewart Morales
522 West Las Palmaritas Dr.
Phoenix, AZ 85021
6. Stephen Emmerich Stewart
26315 Quail Grove Lane
Boerne, TX 78006-5520
7. DISMISSED
9. The Nordan Trust u/t/a/d 12-16-68
112 E. Pecan, Suite 500
San Antonio, TX 78205
10. Lindsay Production and Royalties, Ltd.
112 E. Pecan, Suite 500
San Antonio, TX 78205
11. Marian Nordan Harwell
4001 N. New Braunfels Ave #1500
San Antonio, TX 78205
12. The Liberty National Bank and Trust
Company of Oklahoma City, T'ee
f/b/o Roberta M. Eldridge Miller
P.O. Box 25848
Oklahoma City, Oklahoma 73125
13. Barter Island Oil Company
P.O. Box 18816
Oklahoma City, OK 73154-0816
14. Betty Pepis Trust, JP Morgan Chase
Bank, N.A. Trustee
Oil, Gas & Mineral Management
420 Throckmorton, Suite 900
Ft. Worth, TX 76102
15. AKKAH/KMH Trust, JP Morgan Chase
Bank, NA, T'ee
Oil, Gas & Mineral Management
420 Throckmorton, Suite 900
Ft. Worth, TX 76102
16. P. M. Hackbarth-Oklahoma Rev. Trust,
Bank of Oklahoma, N.A., T'ee
P.O. Box 1588
Tulsa, OK 74101
17. Eldridge-Miller Enterprises, LLC
c/o JP Morgan Chase Bank, N. A.
P.O. Box 25848
Oklahoma City, OK 73125
19. Clement Resources, LLC
P.O. Box 7735
Edmond, OK 73083-7735
20. DISMISSED
21. Chesapeake Exploration Limited
Partnership
P.O. Box 18496
Oklahoma City, OK 73154
22. Seagull Mid-South, Inc
c/o Devon Energy
333 W. Sheridan Ave.
Oklahoma City, OK 73102-5015

EXHIBIT "A"

- 23. Ibis Enterprises, Ltd.
Box 1722
Tulsa, OK 74101
- 24. Pregler Acres, Inc.
Box 1722
Tulsa, OK 74101
- 25. Malcolm J. Sutherland and
Bank of America of Illinois, Co-
Trustees
P.O. Box 2081
Chicago, IL 60690
- 27. Arthur Dunham
1410 Tanguy Road
Glen Mills, PA 19342
- 29. Broughton Petroleum, Inc.
1205 Silliman St.
Sealy, TX 77474
- 31. Ivis, Inc.
P.O. Box 1722
Tulsa, OK 74101
- 32. Dean A. Fleshman & Carole S.
Johnson, Trustee of the Dean A.
Fleshman Revocable Trust
1800 N.W. 3rd St.
Oklahoma City, OK 73106
- 33. Joyce E. Foster
19 Line Oak Avenue
Yalaha, FL 34797
- 35. Loys M. Jablonski
2800 Baywater Ave., Apt. 11
San Pedro CA 90731

- 36. Lydia Knisely Trustee for
Victor D. Knisely Trust
C/O Douglas Knisely. et al.
5875 Groverity Rd.
Grove City, OH 43123
- 37. Cheron Oil & Gas Co., Inc.
P.O. Box 1722
Tulsa, OK 74101
- 39. Leon G. Shahnasarian
3428 Grady Blvd.
Elkhart, IN 46516
- 40. G.M. Properties
P.O. Box 57046
Oklahoma City, OK 73157
- 41. Gallaspy Oil Properties, Ltd.
P.O. Box 21414
Oklahoma City, Ok 73156

**RESPONDENTS WITH UNKNOWN
ADDRESSES:**

- 8. The Maurice E. Stuart Family Trust
c/o James A. Stuart
- 18. William R. Albracht & Nora Jean
Albracht – co-trustess of the William R.
Albracht Living Trust
- 26. Diane Chiddister
- 28. Duer Wagner, III
- 30. TDT Diverse, L.P.
a Texas Limited Partnership
- 34. A. Eugene Foster
- 38. Richard C. Mark

EXHIBIT "A"

FOR CURATIVE PURPOSES ONLY
RESPONDENTS WITH KNOWN
ADDRESSES:

43. Cannan Resources, LLC
c/o Chesapeake Exploration, LLC
(f/k/a Cannan Resources, LLC)
P.O. Box 18496
Oklahoma City, OK 73164
44. Riverbend Exploration & Production,
LLC
500 Dallas St. STE 2835
Houston, TX 77002

FOR CURATIVE PURPOSES ONLY
RESPONDENTS WITH UNKNOWN
ADDRESSES:

2. First Energy Corporation
c/o John B. Bryant
10917 North Linn
Oklahoma City, OK 73120

42. Harry H. Cullen

Albert S. Clinkscales, dec'd.