

JMA
11-29-17

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: COUNCIL OAK RESOURCES, LLC)
)
 RELIEF SOUGHT: POOLING) CAUSE CD 201706773-T
)
 LEGAL DESCRIPTION: SECTION 32, TOWNSHIP 18)
 NORTH, RANGE 12 WEST, BLAINE COUNTY)
 OKLAHOMA) ORDER NO. 670805

ORDER OF THE CORPORATION COMMISSION

This Cause came on for hearing before Kathy McKeown, Administrative Law Judge for the Corporation Commission of the State of Oklahoma, on the 7th day of November, 2017, at 8:30 a.m., in the Commission Courtroom, Eastern Regional Service Office of the Corporation Commission, Tulsa, Oklahoma, for the purpose of hearing, taking testimony and reporting such findings and recommendations to the Commission.

Michael D. Stack and John B. Chandler, attorneys, appeared for the Applicant. No protests were filed or announced in this cause.

The Administrative Law Judge heard the Cause and filed a report with the Commission, which report has been considered and the Commission therefore finds as follows:

FINDINGS

1. That this is the application of Council Oak Resources, LLC for an Order pooling the interests and adjudicating the rights and equities of oil and gas owners in the Mississippian common source of supply underlying Section 32, Township 18 North, Range 12 West, Blaine County, Oklahoma. The application was amended to dismiss the Woodford common source of supply. Respondents, along with any dismissals, are listed on Exhibit "A" attached hereto and made a part of this order.

1a. The captioned unit is to be included in a **multi-unit well**, consisting of Section 32, Township 18 North, Range 12 West, Blaine County, Oklahoma and Section 29, Township 18 North, Range 12 West, Blaine County, Oklahoma. The total costs to participate in the proposed well has been estimated at 50% in Section 32 with 50% in Section 29. After the proposed well has been drilled and completed, there will be an adjustment made in the costs to participate based on the allocation defined in the order issued in the multi-unit application. The Operator shall notify the participants of the final completed for well cost and the participants shall be obligated to remit that adjusted payment to the Operator.

2. The Commission has jurisdiction of 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 hereon 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 publishers' affidavits of publication thereof, and the affidavits 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 Applicants have exercised due diligence and has conducted a meaningful search of reasonably available source 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.

3. That the land described in paragraph 1 above is a drilling and spacing unit for the common source(s) of supply also named in paragraph 1, all heretofore Ordered by the Commission by Order No. 668812.

4. That Operator, owner of the right to drill on said drilling and spacing unit(s), has not agreed with all of the other owners in the drilling and spacing unit(s). The Operator request the Corporation Commission issue an Order requiring such owners to pool their interest and develop the drilling and spacing unit(s) as a unit and common source(s) of supply covered hereby.

5. That Operator proposes to develop said unit and the common source(s) of supply therefore by the drilling of a unit well or wells if hereinafter authorized to be drilled on the drilling and spacing unit thereon and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop the unit and common source(s) of supply covered hereby, upon the terms and conditions set out in "Order" below, all of which are found hereby, after a consideration of the substantial evidence in this Cause, to be just and reasonable and will afford each owner in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production from the unit.

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 on a unit basis.

ORDER

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

1. That Operator proposes to develop, as a unit, for **Section 32, Township 18 North, Range 12 West, Blaine County, Oklahoma**, a drilling and spacing unit for the **Mississippian** common source of supply, and to develop said unit and the common source(s) of supply therefore, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated, and determined.

2. a. Applicant has estimated cost to drill, test and complete the initial multi-unit well in Section 32 and Section 29:

	<u>Estimated Total Cost:</u>	<u>Estimated 50% cost allocation for Section 32:</u>
Dry Hole Cost:	\$3,257,000.00	\$1,628,500.00
For Production:	\$8,977,700.00	\$4,488,850.00

- b. **A respondent can elect \$2,850.00 per acre cash with a 1/8 royalty.** The \$2,850.00 per acre cash, is also a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit by paying such owner's proportionate part of the cost thereof; such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e).
- c. **A respondent can elect \$2,750.00 per acre cash bonus with a 3/16 royalty.** The \$2,750.00 per acre cash, plus a 1/16 of 8/8 overriding royalty or excess royalty delivered unto him, is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit by paying such owner's proportionate part of the cost thereof; such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e).
- d. **A respondent can elect \$2,000.00 per acre cash bonus with a 1/5 royalty.** The \$2,000.00 per acre cash, plus a 7.5% overriding royalty or excess royalty delivered unto him, is also a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit by paying such owner's proportionate part of the cost thereof; such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e).
- e. Special Provision: For a respondent having total burdens exceeding 20% at the time of the filing of the application in this cause, then said respondent shall elect \$10.00 per acre cash with no additional burdens being placed on the respondents interest of record. This election shall only be granted to those respondents electing not to participate in the proposed well and having a total burden in excess of 20% at the time of the filing of the application in this cause.

PROVIDED, that each owner of right to drill in said drilling and spacing unit who elect paragraph 2b, 2c, or 2d above, shall relinquish unto the Operator, all of owners right, title and interest as defined above in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit drilled and completed in the common source(s) of supply named in this Application.

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

3. That any owner of the right to drill on said drilling and spacing unit who has not agreed with the Operator to develop said "pooling unit" and common source(s) of supply is accorded the following elections as to all or any part of such owner's interests as to each election:

- a. **To participate in the development of the unit and common source(s) of supply by agreeing to pay such owner's proportionate part of the actual cost of the unit well covered hereby and paying, as set out herein, to Operator such owner's proportionate part of the estimated completed for production cost for the captioned unit(s), as set out in paragraph 2a above, or by securing or furnishing security for such payment satisfactory to the Operator so as to assure timely payment of such cost. In all events such owner's cost in said unit well shall not exceed its proportionate part of the actual or the reasonable cost thereof which shall be determined by the Commission in the event there is a dispute as to such costs; the payment of such owner's proportionate part of the estimated completed for production costs of said unit well, or the securing of such costs, or the furnishing of security therefore, as aforesaid, shall be accomplished as follows: the operator will provide a 30 day notice prior to spud and those parties electing to participate shall have 15 days from the date of the spud notice to pay, such owner's proportionate part of the costs of, and of the production from such unit well, to be in proportion to the number of acres such owner has in the unit. Failure to pay will deem the respondent electing the cash bonus with the next revenue the respondent can deliver.**
- b. **To receive the cash bonus plus overriding or excess royalty, as set out in paragraph 2b, 2c, or 2d above, which shall be paid or tendered, if same can be paid or tendered, within 35 days from the date of this Order, or, if any payment of bonuses due and owing under the order cannot be made to any such party entitled to such payment, then said bonuses, and any royalty payments due such party, shall be paid into an escrow or trust account and shall not be commingled with any funds of the Operator or operator. Such funds deposited in said escrow or trust account shall be held for the exclusive use of, and sole benefit of, the party or parties entitled thereto.**

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 this order and shall not be commingled with any funds of the 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 the 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.

4. 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 unit, other than the Operator, shall elect as to all or any part of the interest of such owner in the unit which of the elections set out in Paragraph 3 above such owner accepts, **said election to be made to Council Oak Resources, LLC, in writing, within 20 days from the date of this Order**; in the event any owner fails to elect within the time and in the manner as set out above which of the alternatives set forth in paragraph 3 above, any such owner accepts, then such owner is deemed to have elected to receive the highest cash bonus plus excess royalty, as set out in paragraph 2 above, with the net revenue the owner can deliver to the Operator. In the event any owner elects to do other than participate in said unit well by paying his pro rata share of the costs thereof, or fails to make any election provided above, such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, interest, or claim in said unit well or wells if hereinafter authorized to be drilled on the drilling and spacing unit, except for any normal 1/8 royalty interest, defined above, and other share in production to which such owner may be entitled by reason of an election hereunder.

5. 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 thereunder 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 by 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.

6. **That Council Oak Resources, LLC, 6120 S. Yale Ave, Suite 1200, Tulsa, OK 74136, is designated Operator** of the unit pooling and the common source(s) of supply covered hereby and **all elections must be communicated to said Operator, in writing, at the address above and as required in this Order**. That Operator, Council Oak Resources, LLC, has the proper surety and plugging bond on file.

7. That Operator must commence operations for the drilling of the unit well **within one year 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 the cash consideration reflected in paragraph number 2 of this Order.

8. Prior to the payment of bonus consideration and/or royalty consideration to a respondent by Operator, said respondent must complete and furnish to Operator a Federal Form W-9.

The form being required for federal tax purposes. A respondent who does not provide the Operator with a Federal Form W-9, shall have 28% of their bonus consideration and/or royalty consideration placed into an Escrow Account established by the Operator until such time as the appropriate Federal Form W-9 has been furnished.

9. Participation in Subsequent Wells: If, subsequent to the drilling of the initial unit well provided for herein, another well is proposed in the drilling and spacing unit(s) covered hereby under the plan of development established by this Order, Operator shall send written notice of the proposed subsequent well to each party who timely and properly elected to participate, and who perfected their election to so participate, in the development of the separate common source(s) of supply in the drilling and spacing unit(s) involved in this cause under the plan of development. The written notice shall be sent by certified mail to the last known address of each respondent and shall contain a brief description of the proposed subsequent well. The notice shall also include the estimated costs of the well as a dry hole and as a producing well. Each party entitled to the above-described written notice shall have **20 days from date of the notice in which to elect, in writing**, to the operator whether or not to continue to participate in the development of the separate common source(s) of supply and the drilling and spacing unit(s) involved in this cause under the plan of development established by this Order as to the proposed subsequent well or in lieu thereof, to elect the highest bonus and additional royalty that the owner can deliver to Operator (and as set out above) as compensation, or satisfaction in full for all rights and interest of such owner in the unit covered hereby. **The cash bonus to be paid within 35 days from the date of the notice.**

In the event any party who is entitled to make a written election as to a subsequent well as provided for herein, shall fail to timely and properly to elect in writing to so participate, or who shall have elected affirmatively in writing not to participate in such subsequent well and further development, then such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, interest or claim in and to the unit(s) and separate common source(s) of supply involved herein as to such proposed subsequent well and any further subsequent well or wells that may thereafter be proposed and drilled under the plan of development except for such party's share of the consideration set forth in above-paragraph number 2.

Any party entitled to make a written election as to a subsequent well who elects to continue to participate in the development of the separate common source(s) of supply in the drilling and spacing unit(s) provided for herein under the plan of development established by this Order, shall be deemed to have agreed to pay such party's proportionate part of the actual costs of the proposed subsequent well, and shall pay such parties proportionate part of the anticipated completed for production costs as set forth in the notice **within 25 days from date of notice** thereof, said payment to be made to Operator at its then current address. Upon such timely payment, or the furnishing of security thereof satisfactory to the Operator, such party's election to continue to participate in the development of the drilling and spacing unit(s) and common source(s) of supply as to such subsequent well and future wells shall be perfected. In the event any owner elects as to the proposed subsequent well to continue to participate in the development of the separate common source(s) of supply under the plan of development established by this Order, but thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the estimated completed for production well costs within the manner and time prescribed herein, then such owner shall be deemed to have withdrawn its election to continue to so participate and such owner, as to the proposed subsequent

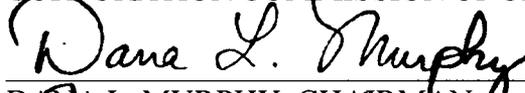
well and any further subsequent well or wells under the plan of development shall be deemed to have elected, the highest bonus consideration with the net revenue that the owner can to deliver, and as set forth in above- paragraph 2.

As to any subsequent well proposed under this-numbered paragraph, Operator shall commence, or cause to be commenced, operations on the subsequent well **within 180 days from the date of written notice** proposing the subsequent well, and shall thereafter continue such operations with due diligence to completion. If operations on the proposed subsequent well are not commenced within the above described 180 day period, then the elections of the parties as to the proposed subsequent well shall expire and the parties shall be in the same position relative to each other that they were in Immediately prior to the written notice of the subsequent well being transmitted by Operator. In such event all rights acquired from the parties electing in the proposed subsequent well not to continue to participate in the development of the separate common source of supply and drilling and spacing units under the plan of development established by this Order, shall be relinquished by Operator and any other acquiring party and such relinquished rights shall re-vest in the parties who elected not to continue to so participate. Failure to timely commence any subsequent well shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled prior thereto under the plan of development established by this Order and shall not terminate such plan of development.

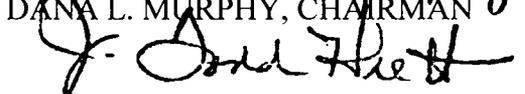
The term "subsequent well," for purposes of this numbered paragraph, shall not be deemed to include any side-tracking or other operation with respect to the initial unit well and shall not be deemed to be any well that is drilled as a replacement or substitute well for the initial unit well or any subsequent 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.

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

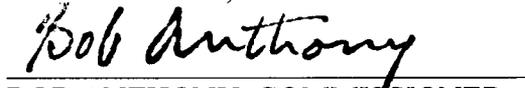
CORPORATION COMMISSION OF OKLAHOMA



DANA L. MURPHY, CHAIRMAN

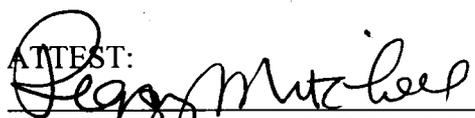


J. TODD HIETT, VICE CHAIRMAN



BOB ANTHONY, COMMISSIONER

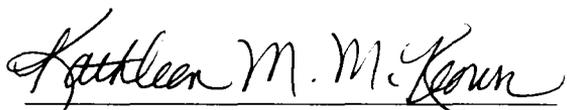
DONE AND PERFORMED THIS 5 DAY OF Dec, 2017.

ATTEST:


PEGGY MITCHELL, SECRETARY OF THE COMMISSION

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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


KATHY MCKEOWN,
Administrative Law Judge

11/21/17
Date


Reviewer

11-22-17
Date

This Order was approved for content and form.

BY: 

MICHAEL D. STACK, OBA #8530
943 East Britton Road
Oklahoma City, Oklahoma 73114
Bus (405) 286-1717 Fax (405) 286-2122
Attorney for Applicant

Exhibit "A"

RESPONDENT LIST
Sec 32, T18N, R12W,
Blaine County, Oklahoma

RESPONDENTS WITH KNOWN ADDRESSES:

1. Dorchester Resources, L.P.
P.O. Box 18879
Oklahoma City, OK 73154-8879
[Formerly Chesapeake Investments]
WAIVER OF NOTICE - EXHIBIT #3

2. Chesapeake Royalty, LLC
6100 North Western Avenue
Oklahoma City, OK 73118
DISMISSED

3. Chevron USA, Inc.
6001 Bollinger Canyon Road
San Ramon, CA 94583
KNOWN RESPONDENT

4. Warwick-Jupiter, LLC
P.O. Box 417, 6608 North Western Avenue
Oklahoma City, OK 73116
KNOWN RESPONDENT

RESPONDENTS LISTED WITH UNKNOWN ADDRESSES:

5. The heirs successors and assigns of Flat Nose,
Cheyenne-Arapaho, Roll No. 2879
UNKNOWN ADDRESS

RESPONDENTS LISTED FOR CURATIVE PURPOSES ONLY:

6. Amoco Production Company
CURATIVE - ADDRESS UNKNOWN

7. Chesapeake Exploration, LLC
301 Northwest 63rd Street Suite 600
Oklahoma City, OK 73118
DISMISSED

8. Conoco, Inc.
P.O. Box 7200
Bartlesville, OK 74005
CURATIVE - KNOWN RESPONDENT

9. Diana Kay Oxley
1350 SW Dolph
Portland, OR 97219
CURATIVE - KNOWN RESPONDENT

10. Getty Oil Company
P.O. Box 1650
Tulsa, OK 74101
CURATIVE - UNKNOWN ADDRESS

11. James A. Mosley
4009 Green Mountain Lane
Austin, TX 78758
CURATIVE - KNOWN RESPONDENT

12. Johnnie Sue Deweese
2705 W. Sorghum Mill Road
Edmond, OK
CURATIVE - KNOWN RESPONDENT

13. Karen Rae Flynn
762 NW Mt. Washington Dr.
Bend, OR 97701
CURATIVE - KNOWN RESPONDENT

14. Marilyn S. Bowen and Janet A. Hill
2705 W. Sorghum Mill Road
Edmond, OK 73025
CURATIVE - KNOWN RESPONDENT

15. Robert John Mosely
8607 Alverstone Way
Austin, TX 78759
CURATIVE - NO PROOF OF RECEIPT -
ASSUMED GOOD ADDRESS

16. Terry James Oxley
8020 Deschutes Court SE
Olympia, WA 98501
CURATIVE - KNOWN RESPONDENT

17. Texaco Exploration and Production, Inc.
1500 Louisiana Street
Houston, TX 77002
CURATIVE - KNOWN RESPONDENT