JLM 11-29-17

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT:	CITIZEN ENERGY II, LLC	)	
		)	
RELIEF SOUGHT:	POOLING	)	CAUSE CD NO. 201705082T
		)	
LEGAL DESCRIPTION:	SECTION 21, TOWNSHIP 10 NORTH, RANGE 5 WEST, GRADY AND CANADIAN COUNTIES, OKLAHOMA	)	ORDER NO. 670905

ORDER OF THE COMMISSION

Administrative Law Judge, Date and Place of Hearing:

This cause came on for hearing before Curtis Johnson, Administrative Law Judge for the Corporation Commission of Oklahoma on the 25th day of September, 2017, at 8:30 a.m., Commission Courtroom, Eastern Regional Office, Suite 114, 440 South Houston, Tulsa, Oklahoma, for the purpose of hearing, taking testimony and reporting his 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:

Appearances:

William H. Huffman, Attorney, appeared for Applicant, Citizen Energy II, LLC.

FINDINGS

Relief Requested:

1. That this is the Application of Citizen Energy, LLC for an Order pooling the interest and designating an operator and adjudicating the rights and equities of oil and gas owners in the Woodford common source of supply underlying Section 21, Township 10 North, Range 5 West, Grady and Canadian Counties, 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.

Jurisdiction and Notice:

2. That the Commission has jurisdiction over the subject matter herein and of the persons interested therein. That the Commission conducted a judicial inquiry into the sufficiency of the Applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced the Commission finds that the Applicant has exercised due diligence and has conducted a meaningful search of all reasonably available sources at hand. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and by the rules of the Commission. That this Commission makes this finding in compliance with *Carlile v. Cotton*, 732 P.2nd 438 (Okla. 1986). That Applicant is the owner of an interest in the area covered by the Application. That Applicant has furnished the Oklahoma Corporation Commission with a plugging agreement and surety or a financial statement, as required by law and by the rules of the Commission.

Spacing:

3. That by Order No. 652588, the Corporation Commission has spaced the subject tract as a 640-acre horizontal drilling and spacing unit for the production of oil from the Woodford common source of supply.

Dismissals:

4. None.

Amendments:

5. None.

Granting of Relief and Rationale:

6. That Applicant, an owner of the right to drill on said drilling and spacing unit and to develop and produce said common source of supply, has not agreed with all of the other such owners in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common source of supply as a single unit, and the Commission should issue this Order requiring such owners to pool and develop the drilling and spacing unit and common source of supply covered hereby. That Applicant proposes to develop said unit and the common source of supply therefor by the drilling of wells 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 of supply covered hereby as a single unit, upon the terms and conditions set out 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. That in the interest of the prevention of waste and the protection of the correlative rights, this Application should be and is granted, and the rights of all owners pooled and adjudicated.

ORDER

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

Well Costs and Consideration Determination; Absorption of Excess Burdens:

1. That Applicant proposes to drill an initial well in Section 21, Township 10 North, Range 5 West, Grady and Canadian Counties, Oklahoma and develop the drilling and spacing unit for the Woodford common source of supply and develop said unit and the common source of supply therefore, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated and determined.

2. a. That estimated well costs are:

Completed for production	-	$2,881,668.00
Completed as a dry hole	-	$1,097,978.00

b. **That an owner can elect $3,500.00 per acre cash bonus with a 3/16 royalty**, otherwise defined as overriding or excess royalty of 1/16 of 8/8 in addition to the normal 1/8 royalty, is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well 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 both common sources of supply and the unit covered hereby, except for any normal 1/8th royalty interest, as defined in 52 O.S. § 87.1(e) (2001). An owner electing this option must deliver a 13/16 net revenue interest.

c. **That an owner can elect $2,500.00 per acre cash bonus with a 1/5 royalty**, otherwise defined as overriding or excess royalty of 7.5% of 8/8 in addition to the normal 1/8 royalty, is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well 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 both common sources of supply and the unit covered hereby, except for any normal 1/8th royalty interest, as defined in 52 O.S. § 87.1(e) (2001). The owner electing this option must deliver a 4/5 net revenue interest.

d. **That an owner can elect $5.00, delivering the owners interest at the existing net revenue at the time of the filing of this Application**, is a fair, reasonable, and equitable compensation to be paid unto each owner who elects not to participate in said well by paying such

owner's proportionate part of the cost thereof; such compensation, 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 1/8th royalty interest, as defined in 52 O.S. § 87.1(e) (2001).

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 hereinabove set forth, and same shall be reduced by the amount of any such excess.

Options; Escrow Provisions:

3. That any owner of the right to drill on said consolidated unit and common source of supply who has not agreed with the Applicant to develop said consolidated unit and common source of supply is accorded the following elections, and each owner, subject hereto, may make any of the elections as to all or any part of the interest of such owner in the consolidated unit and must give notice as to which of the elections stated in paragraphs 2a, 2b, 2c or 2d, herein such owner accepts:

a. **To participate in the development of the units and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of the well covered hereby and by paying, as set out herein, to Operator, Citizen Energy II, LLC, such owner's proportionate part of the estimated completed for production cost thereof, as set out in paragraph 2a above**, or by securing or furnishing security for such payment satisfactory to the Operator; in all events, such owner's cost in said 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 cost of said initial well, or the securing of such costs, or the furnishing of security therefor, as aforesaid, shall be accomplished **within 25 days from the date of this Order**, such owner's proportionate part of the costs of, and of the production from, such well and consolidated unit, to be in proportion to the number of acres such owner has in the consolidated unit; or,

b. **To receive the cash bonus plus overriding or excess royalty, as set out in paragraph 2b above**, which cash bonus shall be paid or tendered, if same can be paid or tendered, **within 35 days from the date of this Order;** or,

c. **To receive the cash bonus plus overriding or excess royalty, as set out in paragraph 2c above**, which cash bonus shall be paid or tendered, if same can be paid or tendered, **within 35 days from the date of this Order;** or,

d. **To receive the compensation, as set out in paragraph 2d above**, which compensation shall be paid or tendered, if same can be paid or tendered, **within 35 days from the date of this Order**.

If any payment of bonus due and owing under the order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within 90 days after the date of 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 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.

If any payment of bonus due and owing under this Order cannot be made for any other reason, including, but not limited to, questionable title, then such bonus shall be paid into an escrow account 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.

Elections by Owners; Deemed Election:

4. That each owner of the right to drill in said drilling and spacing units to said common sources of supply covered hereby, who has not agreed to develop said units, other than the Applicant, Citizen Energy II, LLC, shall elect which of the alternatives set out in paragraph 3 above such owner accepts, said **election to be made to Operator, Citizen Energy II, LLC, in writing, at the address below, within 20 days from the date of this Order. In addition, the tax identification number (Social Security Number or Federal Employer Identification Number) for the owner must be separately provided before any bonus or royalty can be paid to said owner**. 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 cash bonus plus overriding royalty as set out in paragraph 2b above if such owners interest qualifies, otherwise the cash bonus plus overriding royalty as set out in paragraph 2c above, if such owners interest qualifies, otherwise the compensation as set out in paragraph 2d above. In the event any owner elects or is deemed to have elected to do other than participate in said 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, Citizen Energy II, LLC, all of such owner's right, title, interest, or claim in and to the unit, 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.

In the event an owner fails to provide the tax identification number, any cash bonus or royalty due under this order will be placed into an escrow account by the Operator until such tax identification number of said owner is provided to the Operator.

Operator's Lien; Deemed Election Upon Failure to Perform:

5. That Operator, Citizen Energy II, LLC in addition to any other rights provided herein, shall have a lien, as set out in 52 O.S. § 87.1(e) (2001), on the interest of any owner, subject to this Order, who has elected to participate in the well covered hereby by paying such owner's proportionate part of the costs thereof; provided, however, that in the event an owner of the costs thereof and fails or refuses to pay or to secure the production cost as set out in paragraph 2a above, or fails or refuses to pay or make an arrangement with the Operator, Citizen Energy II, LLC, for the payment thereof, all within the periods of time as prescribed in this Order, then such owner is deemed to have elected to receive the cash bonus plus overriding royalty as set out in paragraph 2b above if such owners interest qualifies, otherwise the cash bonus plus overriding royalty as set out in paragraph 2c above, if such owners interest qualifies, otherwise the compensation as set out in paragraph 2d above. Thereupon, the payment of such cash bonus shall be made by Operator, Citizen Energy II, LLC, within 35 days after the last day on which such defaulting owner, under this Order, should have paid his proportionate part of such costs or should have made satisfactory arrangements for the payment thereof.

Operator Designation:

6. That: Citizen Energy II, LLC
320 S. Boston Ave., Suite 900
Tulsa OK 74103

is the owner of the right to drill, is designated operator of the wells, units and common sources of supply covered hereby and all elections must be communicated to said Operator, Citizen Energy II, LLC at the address above as required in this Order.

Unit Pooling:

7. The granting of the relief requested by the Applicant shall include the intent of the Applicant to pool and adjudicate the rights and equities of the owners in the lands described herein as to those separate units and common sources of supply set forth above to be tested by the proposed well on a unit basis and not on a borehole basis for any well drilled as to the respective separate common sources of supply cited herein. That the election not to participate as a cost bearing working interest in the proposed unit well shall operate to foreclose the interests of the respondents as to elections to participate or not, in any subsequent well that may at some indefinite time, if at all, be drilled within the subject lands; and that the initial election made by the respondents herein shall be binding as to the respondent, their assigns, heirs, representatives, agents, or estate.

Subsequent Wells and Development:

8. If, subsequent to the drilling of the initial unit well provided for herein, Operator shall propose additional development, including but not limited to, another well or recompletion in the drilling and spacing units covered hereby under the plan of development established by this Order, Operator shall send written notice of the proposed subsequent well or recompletion 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 sources of supply in the drilling and spacing units 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 or recompletion. 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 the 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 sources of supply in the drilling and spacing units involved in this cause under the plan of development established by this Order as to the proposed subsequent well or recompletion or in lieu thereof, to elect the option provided for under paragraph 2b, 2c or 2d above.

In the event any party who is entitled to make a written election as to a subsequent well or recompletion as provided for herein, shall elect not to participate in further development, or shall fail 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 or recompletion and further development, then such owner shall be deemed to have relinquished unto operator all of such owners right, title, interest or claim in and to the unit, units and separate common sources of supply involved herein as to such proposed subsequent well or recompletion and any further subsequent well or wells or recompletions that may thereafter be proposed and drilled under the plan of development, and unless otherwise selected by a written election, such owner shall be deemed to have elected to receive the cash bonus plus overriding royalty as set out in paragraph 2b above, if such owners interest qualifies, otherwise the cash bonus plus overriding royalty as set out in paragraph 2c above, if such owners interest qualifies, otherwise the compensation as set out in paragraph 2d above.

Any party entitled to make a written election as to a subsequent well or recompletion who elects to continue to participate in the development of the separate common sources of supply in the drilling and spacing units provided for herein under the plan of development established by this Order, shall be deemed to have agreed to pay such parties proportionate part of the actual costs of the proposed subsequent well or recompletion, and shall pay such parties proportionate part of the anticipated completed for production costs as set forth in the notice **within 25 days of the date 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 Operator, such parties election to continue to participate in the development of the drilling and spacing units and common sources of supply as to such subsequent well or recompletion and future wells or recompletions shall be perfected. In the event any owner elects as to the proposed subsequent well or recompletion to continue to participate

in the development of the separate common sources of supply under the plan of development established by this Order, but thereafter fails or refuses to pay or secure the payment of such owners 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 or recompletion and any further subsequent well or wells or recompletions under the plan of development shall be deemed to have elected to receive the cash bonus plus overriding royalty as set out in paragraph 2b above, if such owners interest qualifies, otherwise the cash bonus plus overriding royalty as set out in paragraph 2c above, if such owners interest qualifies, otherwise the compensation as set out in paragraph 2d above.

As to any subsequent well or recompletion proposed under this paragraph, Operator shall commence, or cause to be commenced, operations for the drilling of the subsequent well or recompletion within **180 days from the date of written notice** proposing the subsequent well or recompletion, and shall thereafter continue such operations with due diligence to completion. If operations for the drilling of the proposed subsequent well or recompletion are not commenced within the above described 180 day period, then the elections of the parties as to the proposed subsequent well or recompletion 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 or recompletion being transmitted by Operator. In such event all rights acquired from the parties electing to the proposed subsequent well or recompletion not to continue to participate in the development of the separate common sources 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 revest in the parties who elected not to continue to so participate. Failure to timely commence any subsequent well or recompletion 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 paragraph shall not be deemed to include any side-tracking or other operation with respect to the initial unit well, or any subsequent 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.

Commencement of Operations:

9. That Operator has commenced operations for the drilling or other operations with respect to the initial well covered hereby and this Order shall remain in force and effect until said unit operations are abandoned, the unit wells are plugged or otherwise ordered by the Commission.

Mailing of this Order:

10. That the Applicant, Citizen Energy, LLC, 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 7 day of ~~November~~ Dec, 2017.

BY ORDER OF THE COMMISSION:

PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

Curtis Johnson, Administrative Law Judge — Date 11-22-17

Reviewer-Technical Department — Date 11/22/17

Approved:

William Huffman

EXHIBIT "A"

Parties with Known Addresses

Subtairn, LLC
P.O. Box 671261
Dallas, TX 75367

Parties with Addresses Unknown

None.

Parties Listed for Curative Purposes

None.

Parties Listed for Curative Purposes with Unknown Addresses

None.