

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: SANDRIDGE EXPLORATION AND)
 PRODUCTION, L.L.C.)
RELIEF SOUGHT: POOLING)
LEGAL DESCRIPTION: SECTION 34, TOWNSHIP)
 25 NORTH, RANGE 7)
 WEST, GRANT COUNTY,)
 OKLAHOMA)

Cause CD No. 201305271

616701

Order No. _____

ORDER OF THE COMMISSION

1. Hearing Date and Place: 8:30 a.m., 1st day of October, 2013, Jim Thorpe Building, Oklahoma City, Oklahoma.

2. Appearances: Roger A. Grove, Attorney for Applicant; Emily Smith, Attorney for Chesapeake Operating, Inc. and Chesapeake Exploration, LLC.

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

4. Amendment: Dale B. Sharkey was dismissed as a respondent.

5. Relief Requested: Applicant requests that the Corporation Commission enter an order in this cause pooling the oil and gas interests and adjudicating the rights and equities of the oil and gas owners listed on Exhibit "A" attached hereto in the Mississippian common source of supply underlying the 640-acre drilling and spacing unit consisting of Section 34, Township 25 North, Range 7 West, Grant County, Oklahoma, and designating the Applicant or some other party as Operator.

6. Relief Granted: The requested relief is granted and the rights and equities of all oil and gas owners listed on Exhibit "A" attached hereto are hereby pooled, adjudicated and determined in the lands, unit(s) and common source(s) of supply covered hereby, as follows:

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Mississippian	640-acres	615241

Said owners named in Exhibit "A" attached hereto are afforded the following elections which said owners may make with all or any part of their interest; however, said owners must make one of the following elections in writing within 20 days from the date of this order to the Operator at the address set forth in paragraph 9 below:

6.1. Participate: To participate in the development of the unit and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of the development and operation of the unit and common sources of supply covered hereby, which shall include a reasonable monthly charge for supervision and overhead and, as to the initial well proposed hereunder, by paying, as set out below, to Operator such owner's proportionate part of the estimated completed for production cost thereof, or by

securing or furnishing security for such payment satisfactory to the Operator, within 25 days from the date of this order, as follows:

Completed as a dry hole - \$1,622,540.00
Completed for production - \$3,350,709.00

in all events, such owner's cost shall not exceed its proportionate part of the actual or the reasonable cost thereof which shall be determined by the Commission in the event there is a dispute as to such costs; such owner's proportionate part of the costs of, and of the production from, any wells drilled hereunder shall be in proportion to the number of acres such owner has in the unit.

PROVIDED, however, that in the event an owner elects to participate in the initial well proposed to be drilled hereunder by paying his proportionate part of the costs thereof and fails or refuses to pay or to secure the payment of such owner's proportionate part of the completed for production cost as set forth herein, or fails or refuses to pay or make an arrangement with the Operator for the payment thereof, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected the cash bonus or cash bonus plus overriding or excess royalty, as set out in paragraphs 6.2, 6.3 and 6.4 below, with such owner being deemed to have elected the highest cash bonus for which his interest qualifies depending on the excess burdens attached to such interest, and such owner shall thereafter be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in and to the such well, and any well drilled subsequent thereto, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder. Thereupon, the payment of such cash bonus shall be made by Applicant 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 if said party has provided Applicant with an IRS Form W-9, or within 35 days after Applicant's receipt of said Form W-9, whichever is later. That the Commission shall retain jurisdiction to determine the reasonableness and necessity of the drilling, completion and operation costs to develop the unit and wells covered hereby.

6.2 \$1,000.00 Per Acre Cash Bonus for 1/8 Royalty In Lieu of Participation - Unit Interest: To receive a cash bonus of \$1,000.00 per mineral acre as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said development of the unit and common sources of supply by paying such owner's proportionate part of the costs thereof; such cash bonus shall be paid or tendered, if same can be paid or tendered, by Applicant within 35 days from the date of this order if said party has provided Applicant with an IRS Form W-9, or within 35 days after Applicant's receipt of said Form W-9, whichever is later, and when so paid or tendered shall be satisfaction in full for all rights and interests of such owner in the initial well proposed hereunder, in any subsequent wells, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e). Provided, in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty, or other payments out of production, which create a burden on such interest in excess of the normal 1/8 royalty as defined herein, then in that event such owner shall not be entitled to the option provided in this paragraph 6.2, but shall be required to either participate in said development, as described above, or to accept one the alternatives provided in paragraphs 6.3 or 6.4 below. Further, any owner electing to accept the consideration set forth in this paragraph must be able to deliver on the date elections are due an 87.5% net revenue interest.

6.3 \$950.00 Cash Bonus for 3/16 Royalty in Lieu of Participation - Unit Interest: To receive a cash bonus of \$950.00 per mineral acre plus an overriding or excess royalty of 1/16 of 8/8 as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said development of the unit and common sources of supply by paying such owner's proportionate part of the costs thereof; such cash bonus shall be paid or tendered, if same can be paid or tendered, by Applicant within 35 days from the date of this order if said party has provided Applicant with an IRS Form W-9, or within 35 days after Applicant's

receipt of said Form W-9, whichever is later, and when so paid or tendered shall be satisfaction in full for all rights and interests of such owner in the initial well proposed hereunder, in any subsequent wells, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e). Provided, in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty, or other payments out of production, which create a burden on such interest in excess of the normal 1/8 royalty as defined herein, then such excess royalty, overriding royalty, or other payments out of production shall be charged against the overriding or excess royalty as set forth herein, and the same shall be reduced by the amount of any such excess. Provided, further, in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty, or other payments out of production, which create a burden on such interest in excess of the 3/16 of 8/8, then in that event such owner shall not be entitled to the option provided in this paragraph 6.3, but shall be required to either participate in said development, as described above, or to accept the alternative provided in paragraph 6.4 below. Further, any owner electing to accept the consideration set forth in this paragraph must be able to deliver on the date elections are due an 81.25% net revenue interest.

6.4 \$900.00 Cash Bonus for 1/5 Royalty In Lieu of Participation - Unit Interest: To receive a cash bonus of \$900.00 per mineral acre plus an overriding or excess royalty of 7.5% of 8/8 as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said development of the unit and common sources of supply by paying such owner's proportionate part of the costs thereof; such cash bonus shall be paid or tendered, if same can be paid or tendered, by Applicant within 35 days from the date of this order if said party has provided Applicant with an IRS Form W-9, or within 35 days after Applicant's receipt of said Form W-9, whichever is later, and when so paid or tendered shall be satisfaction in full for all rights and interests of such owner in the initial well proposed hereunder, in any subsequent wells, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e). Provided, in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty, or other payments out of production, which create a burden on such interest in excess of the normal 1/8 royalty as defined herein, then such excess royalty, overriding royalty, or other payments out of production shall be charged against the overriding or excess royalty as set forth herein, and the same shall be reduced by the amount of any such excess.

7. Effect of Failure to Properly Elect: 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 6 above any such owner accepts, then such owner shall be deemed to have elected the cash bonus plus overriding or excess royalty, as set out in paragraphs 6.2, 6.3 and 6.4 above, with such owner being deemed to have accepted the highest cash bonus for which his interest qualifies depending on the excess burdens attached to such interest as provided in paragraph 6 above. In the event any owner elects to do other than participate in the initial well proposed to be drilled hereunder by paying its pro rata share of the costs thereof, or fails to make an election provided above, such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in and to the such well, and any well drilled subsequent thereto, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder.

8. Participation in Subsequent Wells and Development: Only those owners electing to participate in the initial well drilled hereunder will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common sources of supply covered hereby. Owners electing or deemed to have elected the cash consideration in paragraphs 6.2, 6.3 and 6.4 above for the initial well, shall thereafter receive no additional cash consideration for subsequent wells, but shall receive the royalty provided for therein for subsequent wells.

In the event Applicant proposes the drilling of a subsequent well, such party shall notify those owners who elected to participate in the initial well and all subsequent wells drilled hereunder, of its proposal to drill a subsequent well and said owners will have twenty (20) days from the receipt of said notice to elect to the

Operator whether to participate in said subsequent well or elect one of the alternatives set forth in paragraphs 6.2, 6.3 and 6.4 above. The notice shall be sent by certified mail, return receipt requested, and shall include the proposed location of the well, proposed total depth, estimated dry hole costs and estimated completed well costs of the subsequent well and owners electing to participate must pay, or make satisfactory arrangements with the Operator to secure the payment, of their proportionate share of said completed well costs within twenty-five (25) days from the receipt of notice. Those owners failing to elect within the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have the elected highest cash bonus option for which his interest qualifies depending on the excess burdens attached to such interest as provided in paragraphs 6.2, 6.3 and 6.4 above. Operator shall pay any bonus within thirty-five (35) days from the date that the party received the notice or, in the event an owner elected to participate and failed to pay the completed well costs, within 35 days of the date by which such costs should have been paid.

In the event a party elects or is deemed to have elected not to participate in such well and further development, then such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest or claim in and to the unit and common sources of supply involved herein as to said proposed subsequent well and any further subsequent well or wells which may thereafter be proposed and drilled under the plan of development except for the royalty provided for in paragraphs 6.2, 6.3 and 6.4 above, whichever said owner elected or was deemed to have elected. If operations for the drilling or other operations with respect to said subsequent well are not commenced within 180 days from the date of the notice, said proposal shall lapse and become null and void and the parties shall be in the same position relative to one another that they were in immediately prior to the written notice of the subsequent well being transmitted by the proposing party. Any time an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall not be allowed to participate in future wells drilled on the drilling and spacing units covered hereby. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed for subsequent wells.

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 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 or any subsequent well covered hereby, by virtue of any mechanical or other problems arising directly in connection with the drilling, completing, equipping or producing of any such well, and no party subject to this Order shall have the right to make any subsequent elections as to any such side-tracking, replacement well, or substitute well.

9. Operator: That SandRidge Exploration and Production, L.L.C.
123 Robert S. Kerr Avenue
Oklahoma City, OK 73102-6406

an owner of the right to drill in said drilling and spacing unit, is designated Operator of the unit and common sources of supply covered hereby and the well, or wells, drilled hereunder. All elections required in paragraph 6 must be communicated to said Operator in writing at the address above as required in this Order. That said Operator is required to pay all bonuses which may become due and payable under the terms of this Order.

10. Escrowing of Funds: 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 Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission rule as to bonus, royalty or other payments deposited into escrow accounts shall be with the applicable holder. Such funds deposited in said escrow accounts shall be held for the exclusive use of, and sole benefit of, the person entitled thereto. It shall be the responsibility of the Operator to notify all other holders of this provision and of the Commission rules regarding unclaimed monies under pooling orders.

If any payment of bonus due and owing under the order cannot be made for any other reason, including but not limited to a valid title dispute raised by an attorney, 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 Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds.

11. Operator Lien: 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), on the interest of any owner, subject to this Order, who has elected to participate in the initial well proposed hereunder or any subsequent well drilled hereunder by paying such owner's proportionate part of the costs thereof; such liens shall be separable as to each separate owner within such unit, and shall remain liens until the owner or owners drilling or operating said well have been paid the amount due under the terms of this pooling Order; furthermore, the owner or owners drilling, or paying for the drilling, or the operation of said well for the benefit of all shall be entitled to production from such well which will 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 pooling Order or Order settling such dispute.

12. Commencement of Operations: That Operator shall commence operations for the drilling or other operations with respect to the initial well covered hereby within 180 days from the date of this Order and shall diligently prosecute the same to completion in a reasonably prudent manner, or this Order shall be of no force and effect, except as to the payment of bonus hereunder.

13. Nonparticipants: 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 listed on Exhibit "A" attached hereto for the listed common sources of supply as to the subject drilling and spacing unit on a unit basis and not on a borehole basis for any wells drilled as to the respective separate common sources of supply cited herein. That any owner which elects, or is deemed to have elected, to do other than participate in the initial well to be drilled under this order shall be deemed to have relinquished unto Applicant all of such owner's working interest and right to drill in the unit and common sources of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. That the relinquished interest is to be owned by the Applicant unless a specific paragraph is included in this order providing for a proportionate sharing among the participating parties of such interest. That the initial election made by any owner shall be binding as to the owner, their heirs, representatives, agents, successors, assigns or estate for the first and all subsequent wells drilled pursuant to this order.

14. Special Finding: That Applicant has exercised due diligence to locate each of the respondents subject to this application; that a bona fide effort was made to reach an agreement with each respondent and that the Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common sources of supply as a unit; that the Operator, hereinabove named, is an owner of the right to drill on said drilling and spacing unit and to develop and produce the common sources of supply covered hereby.

15. Filing of Affidavit: That the Applicant or its Attorney shall file with the Secretary of the Commission, within 10 days from the date of this Order, an Affidavit stating that a copy of said Order was mailed within 3 days from the date of this Order to all parties pooled by this Order, who addresses are known.

CORPORATION COMMISSION OF OKLAHOMA

Patrice Douglas
PATRICE DOUGLAS, Chairman

Bob Anthony
BOB ANTHONY, Vice Chairman

Dana L. Murphy
DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 7 day of October, 2013.

BY ORDER OF THE COMMISSION:

Peggy Mitchell
Peggy Mitchell, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:

Michael Porter
Michael Porter, Administrative
Law Judge

3 October 2013
Date

Michael Norris
Reviewer

10-3-13
Date

APPROVED AS TO FORM:

Roger A. Grove
Roger A. Grove

EXHIBIT "A" - Cause CD No. 201305271

Section 34, Township 25 North, Range 7 West, Grant County, Oklahoma

Parties with Known Addresses

1. Chesapeake Exploration, LLC
Attn: Mr. Michael Lovelace
P.O. Box 18496
Oklahoma City, OK 73154
2. Dale B. Sharkey
13824 CR 840
Pond Creek, OK 73766
(Dismissed)
3. Tiptop Oil & Gas US LLC
PO Box 2406
Oklahoma City, OK 73101
4. Elizabeth Cotton Freeman, as Trustee of the
Elizabeth Cotton Freeman Trust created by
Declaration of Trust dated June 11, 1997
3029 Wilshire Blvd., Suite 200
Santa Monica, CA 90403

Parties with Unknown Address

None

Listed for Curative Purposes Only

None