

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF OKLAHOMA

APPLICANT: PETROQUEST ENERGY, L.L.C.

RELIEF SOUGHT: POOLING

LEGAL DESCRIPTION: SECTION 22,  
TOWNSHIP 6 NORTH, RANGE 10 EAST,  
HUGHES COUNTY, OKLAHOMA

CAUSE CD NO.

201308200-T

ORDER NO.

**620959**

**FINDINGS AND ORDER**

1. Hearing Date and Place: 8:30 a.m., 13th day of January, 2014, Eastern Regional Office, 440 South Houston, Tulsa, Oklahoma 74127.

2. Appearances: Ron M. Barnes, Attorney, appeared for the Applicant and Michael D. Stack, Attorney, appeared for Canaan Resources, LLC and Canaan Resources X, LLC.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons.

4. Amendment: At hearing Harrell Energy, L.L.C., Leslie Harrell Dillen, Linda Ann Enger, Michael Turner Smith Trustee of the Jimmie C. Smith & Marjorie Eleanor Smith Revocable Living Trust dated 04/28/2008 and Patricia House Boren were dismissed from the Application.

5. Relief Requested: To pool and adjudicate the rights and equities of the owners named in Exhibit "A" attached hereto underlying the lands described in the caption hereof for the common sources of supply described below and to designate the Applicant or some other party as operator.

6. Relief Granted and Election Period: The requested relief is granted and the rights and equities of all owners named in Exhibit "A" attached hereto are hereby pooled, adjudicated, and determined in the lands described in the caption hereof for the common sources of supply as indicated.

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Caney	640-acre	549067
Mayes	640-acre	620266
Woodford	640-acre	549067
Hunton	640-acre	549067
Sylvan	640-acre	620266

Said owners named in Exhibit "A" attached hereto must make one or any combination of the following elections within 20 days from the date of this Order. In the event an owner makes an election of the bonus provision he or she shall include with their election their social security number. If the owner fails to include his or her social security number PetroQuest Energy, L.L.C. will not issue a check until provided with the social security number.

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 well and unit covered hereby and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed for production cost thereof, or by providing the Operator with an irrevocable letter of credit for such payment satisfactory to the Operator, within 25 days from the date of this Order, as follows:

Completed as a dry hole	\$2,187,566
Completed for production	\$4,525,508

Provided, further, that in the event an owner elects to participate in said unit well by paying his proportionate part of the costs thereof and fails or refuses to pay or provide the Operator with an irrevocable letter of credit for such owner's proportionate part of the completed for production cost as set forth herein, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to accept the cash bonus plus royalty, as set out in paragraph 6.2 below; provided, that if an owner's interest has burdens that exceed the normal 1/8 royalty interest provided in paragraph 6.2 below, then, in that event, such owner shall be deemed to have accepted the option provided in paragraph 6.3 below. Thereupon, the payment of such cash bonus shall be made by Operator within 35 days after the last day of 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.

6.2 **Cash Consideration: To accept \$500 per acre plus the normal 1/8 royalty interest**, as defined in 52 O.S., Section 87.1(e)(2001), as a fair, reasonable and equitable bonus to be paid to each owner who elects not to participate in said unit well by paying such owner's proportionate part of the costs thereof; such cash bonus to be paid within 35 days from the date of this Order and when so paid shall be satisfaction in full of all rights and interests of such owner in the well covered hereby.

6.3 **Cash Consideration: To accept \$350 per acre plus a total royalty of 3/16** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said unit by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid within 35 days from the date of this Order and when so paid shall be satisfaction in full for all rights and interests of such owner in the unit covered hereby, provided, however, in the event that owner's interest is subject to a royalty, overriding royalty, or other burden on production in excess of the normal 1/8 royalty as defined herein, then such excess

royalty, overriding royalty, or other burden shall be charged against the 1/16 of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess.

7. Failure to Elect: In the event any owner fails to elect within the time and in the manner as set forth in paragraph 6 above, then such owner shall be deemed to have accepted the highest cash bonus for which because of burdens such owner's interest qualifies as set out in paragraphs 6.2 or 6.3 above; in the event any owner elected to do other than participate in said unit by paying his pro rata share of the costs of the unit well thereof, or fails to make an election provided above, 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, except for any normal 1/8 royalty interest, and other share in production to which such owner may be entitled by reason of any election hereunder.

8. Operator: **PetroQuest Energy, L.L.C.**  
**Attn: Jim Slade**  
**1717 S. Boulder, Ste. 201**  
**Tulsa, Oklahoma 74119**

an owner of the right to drill in said drilling and spacing unit is designated Operator of the unit well and common sources of supply covered hereby and all elections required in paragraph 6 hereof should be communicated to said Operator in writing at the address above as required in this Order. All written elections must be mailed postmarked within the election period as set forth in paragraph 6; provided such election may be mailed certified mail with return receipt requested in which event such certified election must be deposited in the post office within the election period set forth in paragraph 6. That said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

9. Commencement of Operations: That Operator shall commence operations for the drilling or other operations with respect to the unit covered hereby within one year 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. 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 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 the unclaimed monies under pooling orders.

10. Participation in Subsequent Operations: Only those owners electing to participate in the initial well drilled hereunder as provided above will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common source of supply covered hereby. Owners electing or deemed to have elected the cash option plus royalty provided in paragraphs 6.2 or 6.3 above shall receive no additional cash consideration for subsequent wells, but shall receive the royalty provided therein for subsequent wells. The term subsequent well for the purposes of paragraphs 10 and 11 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.

11. Election on Subsequent Operations: In the event PetroQuest Energy, L.L.C. proposes the drilling of a subsequent well, it shall notify those owners who elected to participate in the initial well drilled hereunder of its intent to drill a subsequent well and said owners will have 20 days from the date of receipt of said notice to elect whether to participate in said subsequent well. The notice provided shall include the 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 PetroQuest Energy, L.L.C. to secure the payment, of their proportionate share of said complete well costs within 25 days from the date of receipt of notice from PetroQuest Energy, L.L.C. Those owners electing not to participate or 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 elected not to participate in the subsequent well and shall thereafter receive the highest cash option and lowest net revenue interest set forth in paragraph 6 above for which said owner qualifies for all subsequent wells. Anytime 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. PetroQuest Energy, L.L.C. shall commence the subsequent well within 180 days of the proposal for same or the proposal shall expire. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed by PetroQuest Energy, L.L.C. for subsequent wells.

12. Operator Lien: That Operator, in addition to any other rights provided herein, should have a lien, as set out in 52 O.S., Section 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.

13. Special Finding: Notice has been given by publication as required by Commission Rules and Affidavits of Publication have been filed. Those owners whose names and addresses were attainable have been given actual notice by mail. An adjudicative inquiry was conducted by the Administrative Law Judge into the sufficiency of the search to ascertain the names and addresses of all owners and if a diligent effort had been made to locate all affected interest owners. Applicant has made a meaningful and diligent search of all reasonably available sources at hand to ascertain those parties that are entitled to notice and the whereabouts of those entitled to notice but who were served only by publication. The Commission finds the process to be proper and has jurisdiction over the subject matter and the parties. 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 interest and to develop the drilling and spacing unit common sources of supply as a unit; that the Applicant has proposed the drilling of a well on said unit and to develop said common sources of supply; that the Operator, hereinabove named, is an owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply.

14. 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, whose addresses are known.

15. PetroQuest Energy, L.L.C. is proposing to develop the separate common sources of supply in the drilling and spacing unit covered hereby in the aggregate as a group or unit. The Applicant intends to evaluate and develop, as a reasonably prudent operator under the same or similar circumstances, all of the separate common sources of supply covered hereby as each will be penetrated in the initial unit well involved herein and valuable information regarding these separate common sources of supply will be obtained through the risk assumed and the expenses incurred in connection with such initial unit well. Furthermore, the bonus values testified to are based upon consummated oil and gas leases which cover all of the separate common sources of supply herein. Therefore, as set forth in the Application filed herein, Applicant believes, and the evidence presented herein shows, that it is appropriate that this pooling order treat all of the separate common sources of supply involved here in the aggregate as a group of unit. PetroQuest Energy, L.L.C. is the owner of the right to drill a well into, to produce hydrocarbons from and to appropriate production from the separate common sources of supply in the units involved herein.

16. Conclusion: The relief requested is necessary to prevent or to assist in preventing the various types of waste of oil or gas prohibited by statute, or any of said wastes, and to protect or assist in protecting the correlative rights of interested parties. Such requested relief, as set forth above, should be granted and IT IS SO ORDERED.

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 28 day of Jan, 2014.

BY ORDER OF THE COMMISSION:

*Peggy Mitchell*

PEGGY MITCHELL, Secretary

**REPORT OF THE ADMINISTRATIVE LAW JUDGE**

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

APPROVED:

*Curtis M. Johnson*

CURTIS M. JOHNSON, DEPUTY  
ADMINISTRATIVE LAW JUDGE

1-23-14

Date

REVIEWER

*Michael D. Ferris*

01-24-14

Date

APPROVED AS TO FORM  
AND CONTENT:

*Ron M. Barnes*

RON M. BARNES, OBA #534

EXHIBIT "A"

1. Barbara Breece  
441 W. 81<sup>st</sup>  
Kansas City, MO 64114-2338
  2. Canaan Resources X, LLC  
One Leadership Square  
211 North Robinson, Suite N 1000  
Oklahoma City, OK 73102
  3. Clark R. Skinner  
6629 South Granite Avenue  
Tulsa, OK 74136
  4. The Gail Wilbanks Family Trust, dated,  
11/10/2005  
Box 68  
Calvin, OK 74531
  5. **DISMISSED**
  6. **DISMISSED**
  7. **DISMISSED**
  8. **DISMISSED**
  9. **DISMISSED**
  10. Reed S. McCain & Joseph J. McCain,  
Jr., Trustees of the Reed S. McCain  
Living Trust, dated 6/04/2007  
3401 Lee Parkway, #1502  
Dallas, TX 75219
  11. Shirley Harrell aka Shirley H. Pool  
1420 Dorchester Drive  
Oklahoma City, OK 73114
  12. Thomas E. Deacy, Jr.  
8101 Mission Rd  
Prairie Village, KS 66208-5238
  13. Valerie Henry, heir of John L. Warren  
858 Placido Way N. E.  
St. Petersburg, FL 33704
- ADDRESS UNKNOWN**
- The unknown unrestricted heirs, devisees, successors, administrators, trustees and assigns of Jonas Hawkins, a full blood Creek Indian
- Jimmie May Hawkins, if living, and if deceased his unknown heirs, devisees, successors, administrators, trustees, and assigns
- The unknown heirs, devisees, successors, administrators, trustees and assigns of John L. Warren, deceased
- The unknown heirs, devisees, successors, administrators, trustees and assigns of Barbara Warren
- The unknown heirs, devisees, successors, administrators, trustees and assigns of Jimmie C. Smith
- CURATIVE**
14. O.K. Bonner L.L.C.  
#4 Drakes Bay  
Corona del Mar, CA 92625
  15. Wellington Bonner, Jr.  
PO Box  
Corona del Mar, CA 92625

**CURATIVE ADDRESS UNKNOWN**

The unknown heirs, devisees, successors, administrators, trustees and assigns of Bertha M. Adams, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Floyd Green, deceased

The Georgia H. Voorhees Support Trust

The unknown heirs, devisees, successors, administrators, trustees and assigns of Helen Ballinger, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Hugh L. Harrell, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Mamie Scales

The unknown heirs, devisees, successors, administrators, trustees and assigns of Novella Riley, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Paul Ballinger, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Pauline Harrell Keltz

The unknown heirs, devisees, successors, administrators, trustees and assigns of Ray Meadors, deceased

The Shirley H. Pool Support Trust

The unknown heirs, devisees, successors, administrators, trustees and assigns of Thomas S. Adams, deceased

The unknown heirs, devisees, successors, administrators, trustees and assigns of Winnie Harrell, deceased

If any named 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