

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: XTO ENERGY INC.)
)
RELIEF SOUGHT: POOLING)
) CAUSE CD NO.
LEGAL DESCRIPTION: SECTION 35,)
TOWNSHIP 7 SOUTH,) 201400459
RANGE 1 EAST,)
LOVE COUNTY, OKLAHOMA) ORDER NO.

ORDER OF THE COMMISSION

622269

This Cause came on for hearing before Paul Porter, Administrative Law Judge for the Corporation Commission of Oklahoma, on the 14th day of February, 2014, at 8:30 a.m., in the Commission Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission. The appearances included **Richard K. Books**, attorney for Applicant.

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

FINDINGS

1. This is an Application for an Order pooling the interests, designating an Operator, providing for the development of the unit and adjudicating the rights and equities of oil and gas owners in the Deese, Upper Dornick Hills, Lower Dornick Hills, Caney, Woodford, Hunton, Sylvan and Viola common sources of supply underlying Section 35, Township 7 South, Range 1 East, Love County, Oklahoma, a drilling and spacing unit pursuant to Order No. 622037. At the time of the hearing, the nomenclature Upper Dornick Hills and Lower Dornick Hills was amended to be Dornick Hills in order to coincide with the companion spacing application. Further, the Viola common source of supply was dismissed. The evidence showed that the Hunton common source of supply in this unit is less than 30 feet in thickness. While Applicant intends to keep its lateral within the Woodford common source of supply, if the lateral exits the Woodford and enters the Hunton, it will also enter the Sylvan before it can be returned to the Woodford. Under the particular circumstances of this case, it is appropriate to retain the Sylvan common source of supply in these proceedings.

2. 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. The Respondents to this matter are shown on the Exhibit "A" attached hereto.

3. The Applicant is the owner of an interest in the area covered by the Application and Applicant/Operator 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.

4. The Applicant, an owner of the right to drill a well on said drilling and spacing unit and to develop and produce said common sources 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 sources of supply as a unit, and the Commission should issue an Order requiring such owners to pool and develop the drilling and spacing unit and common sources of supply covered hereby on a unit basis.

5. The Applicant proposes to develop said unit and the common sources of supply therefore as a unit by the recompletion of and/or the drilling of a well or 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 sources of supply covered hereby as a unit, 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. 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.

Special Finding: The evidence showed that the parties have treated all of the formations named in this Order as a single unit and that the parties intend to develop all formations as a single unit. The drilling of the initial well will provide valuable information as to all of the named formations which will allow the participating parties to formulate a plan to develop all formations as single unit. The leasing within the area has included all of the formations as a single unit, and the values set forth in this Order represent values for all formations in the aggregate. No party has requested an election as to less than all of the formations, and it is in the interest of preventing economic waste to provide for a single election as to all formations. It is therefore appropriate to treat all of the formations as a single aggregated unit.

ORDER

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

1. Applicant proposes to develop Section 35, Township 7 South, Range 1 East, Love County, Oklahoma, a drilling and spacing unit for the Deese, Dornick Hills, Caney, Woodford, Hunton, and Sylvan common sources of supply, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated and determined as set forth herein.

2. a. The estimated well costs are:

Completed for production -	\$9,238,250.00
Completed as a dry hole -	\$5,941,500.00

b. **\$950.00 per acre cash (for a total royalty of 1/8)**, is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development 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 drilling and spacing unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

c. **\$850.00 per acre cash, plus an overriding or excess royalty of 1/16 (for a total royalty of 3/16)**, is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development 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 drilling and spacing unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e) (1971).

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 herein above set forth, and 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 burdens set out in paragraph 2b above, the owner of any such interest shall not be entitled to the option provided in paragraph 2b above, but shall be required to either participate or to accept the option provided in paragraph 2c above.

3. Each owner, subject hereto, may make any of the elections as to all or any part of the interest of such owner in the unit and must give notice as to which of the elections stated in paragraphs 3a, 3b, or 3c herein such owner accepts.

- a. 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 such development and by paying, as set out herein, to Applicant such owner's proportionate part of the estimated completed for production cost of the proposed well, as set out in paragraph 2a above, or by furnishing security for such payment satisfactory to the Applicant. 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 well, or the furnishing of security therefor, 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 unit, to be in proportion to the number of acres such owner has in the unit; or,
- b. To receive the cash bonus as set out in paragraph 2b above, which cash bonus shall be paid or tendered by Applicant, 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 by Applicant, 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 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 interest bearing escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission Rules 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.

4. Each owner of the right to drill in said drilling and spacing unit to said common sources of supply covered hereby, who has not agreed to develop said unit as a unit, other than Applicant, may elect any of the alternatives set out in paragraph 3 above as to all or any part of the interest which such party owns, said election to be made to Applicant, 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 shall be deemed to have elected to receive the highest cash bonus and lowest royalty for which said interest qualifies. An interest qualifies for a particular royalty in question when the sum of the owner's net revenue interest, together with all overriding royalties and other burdens on such interest, and the royalty in question, do not exceed 1.00. In the event any owner elects 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, or, having elected to participate, fails to timely furnish payment of costs or security therefor, such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest or claim in and to the drilling and spacing unit, 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.

5. Only those owners electing to participate in the initial well will be allowed to participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected any option other than participation in the initial well shall receive no cash consideration for subsequent wells but shall receive the excess royalty, if any, provided for herein. In the event any participating owner proposes the drilling of a subsequent well, it shall notify those owners who participated in the prior well of its intent to drill a subsequent well. Such notice shall be sent by certified mail, return receipt requested, and shall be accompanied by an AFE which sets forth the anticipated cost of the well and the well location. Each owner who participated in the prior well shall have 20 days from the receipt of said notice to elect, to the Applicant (with a copy to the proposing party), in writing, whether said owner elects to participate in said subsequent well, or, if not, which of the alternatives set forth in paragraph 3 above such owner elects. Owners electing to participate must pay to Applicant their proportionate share of said costs, or furnish security satisfactory to Applicant therefore, within 25 days from the receipt of said notice. Any bonuses due under this paragraph shall be paid to the parties entitled thereto within 35 days from the date of the subsequent well proposal. Those owners failing to elect

to the Applicant within the period provided, or those owners electing to participate but failing to pay or secure costs within the period provided, shall be deemed to have elected not to participate in subsequent wells. Said owner's right to participate in the proposed well and all future wells shall be immediately and by operation of law, transferred to the operator and said owner shall receive the greatest bonus and lowest royalty for which such interest qualifies herein. An interest qualifies for a particular royalty in question when the sum of the owner's net revenue interest, together with all overriding royalties and other burdens on such interest, and the royalty in question, do not exceed 1.00. At such time that 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 unit covered hereby. The Oklahoma Corporation Commission shall retain jurisdiction to determine the reasonableness of actual drilling and completion costs of subsequent wells. In the event operations for the proposed well are not commenced within 180 days after the date of the notice, then the proposal shall terminate and new notice must be resubmitted to those parties that elected to participate in the proposed well.

6. The Applicant, 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 well covered hereby by paying such owner's proportionate part of the costs thereof; provided, however, that in the event an owner elects to participate in said well 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 out in paragraph 2a above, or fails or refuses to pay or make an arrangement with the Applicant for the payment thereof, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to receive the highest cash bonus for which such interest qualifies and such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest or claim in and to the drilling and spacing unit, 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.

7. Prior to the payment of bonus consideration and/or royalty consideration to a Respondent by Applicant, said Respondent must complete and furnish to Applicant a Federal Form W-9. The form being required for federal tax purposes. A Respondent who does not provide the Applicant with a Federal Form W-9, shall not be entitled to payment by the Applicant until such time as the appropriate Federal Form W-9 has been furnished.

8. **XTO ENERGY INC., 810 HOUSTON STREET, FT. WORTH, TX 76102, telephone (817) 870-2800**, is designated operator of the drilling and spacing unit and common sources of supply covered hereby. All elections must be communicated to said operator at the address above as required in this Order.

9. The operator must 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, or this Order shall be of no force and effect, except as to the payment of bonus.

10. 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

Bob Anthony

~~Patrice Douglas~~, CHAIRMAN

Patrice Douglas

~~Bob Anthony~~, VICE CHAIRMAN

Dana L. Murphy

Dana L. Murphy, COMMISSIONER

DONE AND PERFORMED THIS 5 DAY OF March, 2014.

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:

Paul E. Porter
Paul Porter
Administrative Law Judge

FEB. 28, 2014
Date

Michael Porter
Reviewer

28 February 2014
Date

APPROVED AS TO FORM AND CONTENT:

Richard K. Books
Richard K. Books

APPLICANT: XTO ENERGY INC.
CAUSE CD NO. 201400459

EXHIBIT "A"

RESPONDENTS WITH KNOWN ADDRESSES:

- | | | | |
|-----|---|-----|--|
| 1. | Baren Healey Energy, LLC
P.O. Box 888
Davis, OK 73030 | 12. | Kathy Diane Palmer, now George
2278 Pine Warbler Way
Marietta, GA 30062 |
| 2. | BB Royalty Partnership
P.O. Box 587
Marlow, OK 73055 | 13. | Larry Shellenberger
3725 Viewmont Dr.
Carrollton, TX 75007 |
| 3. | Continental Exploration, LLC
275 W. Campbell Rd., Ste. 440
Richardson, TX 75080 | 14. | Mary Sue Osborn a/k/a Mary Sue Orsburn
8015 Logwood Dr.
Austin, TX 78757 |
| 4. | Estate of David Autry McGehee c/o F. A. Shellenberger
417 Abshire Cir.
Ardmore, OK 73401 | 15. | Preston McGehee
6476 State Hwy. 32
Marietta, OK 73448 |
| 5. | Estate of Enid McGehee
c/o F. A. Shellenberger, Personal Representative
417 Abshire Cir.
Ardmore, OK 73401 | 16. | Rodney A. Weary
707 SE Green St.
Lees Summit, MO 64063 |
| 6. | F. A. Shellenberger
417 Abshire Cir.
Ardmore, OK 73401 | 17. | Rose Marie Dixon
16895 Dixon Rd.
Marietta, OK 73448 |
| 7. | G. W. Thomas
P.O. Box 1673
Chickasha, OK 73023 | 18. | Sagacity, Inc., an Oklahoma corporation
P.O. Box 618
Madill, OK 73446 |
| 8. | Janet McGehee Foster f/k/a Janet McGehee Hoefar
503 S. College St.
Trenton, TN 38382 | 19. | Southern Cross Royalty, L.P.
P.O. Box 777
Davis, OK 73030 |
| 9. | J. Harper Thomas Limited Partnership
P.O. Box 744
Chickasha, OK 73023 | 20. | T. C. Craighead
P.O. Box 576
Ardmore, OK 73402 |
| 10. | John B. Wooten Jr., L.L.C.
P.O. Box 1056
Chickasha, OK 73023 | | |
| 11. | Karen Lynn Palmer
2309 Timbercreek Cir.
Roswell, GA 30076 | | |

RESPONDENTS WITH UNKNOWN ADDRESSES:

- | | |
|-----|---|
| 21. | Joann Smith a/k/a Joann Brewer Smith |
| 22. | Unknown heirs, successors and assigns of Bellewanda Shellenberger, deceased |

APPLICANT: XTO ENERGY INC.
CAUSE CD NO. 201400459

23. Unknown heirs, successors and assigns of Billy Shellenberger a/k/a Billy Frank Shellenberger, deceased
(CURATIVE)
24. Unknown heirs, successors and assigns of C. J. Shellenberger, deceased
(CURATIVE)
25. Unknown heirs, successors and assigns of David Ralph Brewer, deceased
26. Unknown heirs, successors and assigns of John Gard Duncan, deceased
(CURATIVE)
27. Unknown heirs, successors and assigns of Joyce Buckholtz, deceased
(CURATIVE)
28. Unknown heirs, successors and assigns of Joyce Corthay a/k/a Nora Joyce Corthay, deceased
(CURATIVE)
29. Unknown heirs, successors and assigns of Lura Brewer a/k/a Laura Brewer, deceased
30. Unknown heirs, successors and assigns of Marcena Allen Wagner, deceased
(CURATIVE)
31. Unknown heirs, successors and assigns of Murel Duncan a/k/a Murl Duncan, deceased
(CURATIVE)
32. Unknown heirs, successors and assigns of Nadell Lacey Shellenberger, deceased
(CURATIVE)
33. Unknown heirs, successors and assigns of Nancy Duncan Fox, deceased
(CURATIVE)
34. Unknown heirs, successors and assigns of Orvillyn Joyce Palmer, deceased
(CURATIVE)
35. Unknown heirs, successors and assigns of Roger William Palmer, deceased
(CURATIVE)
36. Unknown heirs, successors and assigns of William Thomas McGehee s/p/a Bill McGehee, deceased
(CURATIVE)