

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: OSAGE EXPLORATION AND DEVELOPMENT, INC.

RELIEF SOUGHT: POOLING

LEGAL DESCRIPTION: SECTION 27, TOWNSHIP) CAUSE CD NO. 201403125
20 NORTH, RANGE 8 EAST, PAWNEE COUNTY,)
OKLAHOMA) ORDER NO. **627371**

ORDER OF THE COMMISSION

1. Hearing Date and Place: 8:30 a.m., the 16th day of June, 2014, Jim Thorpe Building, Oklahoma City, Oklahoma.
2. Appearances: Charles L. Helm, Attorney, appeared for the Applicant, Osage Exploration and Development, Inc.
3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons. With regard to each respondent, if any, whose address is listed as unknown in the Application on file in this Cause, or whose address is listed as known in such Application, but on whom the Applicant was unable to deliver notice because such address is apparently no longer valid, the Administrative Law Judge conducted an adjudicative inquiry into the factual issue of due diligence and determined that the Applicant has made a diligent effort to locate the whereabouts of such respondent using available primary and secondary sources, and service by publication with regard to such respondent has been duly and legally made and the Commission, after examining the records and proof of publication, approves the process.
4. Amendments: None.
5. Relief Requested: To pool and adjudicate the rights and equities of the owners named in Exhibit "A" attached hereto (including respondents listed primarily as curative) underlying the lands described in the caption hereof, and to designate the Applicant or some other party as operator. Applicant requested a "unit" pooling order covering owners' rights in all wells drilled and produced on the described drilling and spacing unit.
6. Relief Granted: 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 following common sources of supply:

Common Source of Supply

Spacing Order No.

Mississippian

616642

said owners named in Exhibit "A" attached hereto must make an election within twenty (20) days from the date of this Order. That, 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 Paragraph 6 herein, such owner accepts.

- a. 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 or wells covered hereby and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed well cost thereof, or by securing or furnishing security for such payment satisfactory to the Operator, within ten (10) days from the date of a Notice of Intent to Spud which will be sent to participating parties not more than thirty (30) days prior to spud. The estimated costs are as follows:

Completed as a dry hole	- \$1,693,763.06
Completed for production	- \$3,293,654.55

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 well 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 to accept the option provided in Paragraph 6(b) below; provided, that if an owner's interest has burdens that exceed the total royalty provided in Paragraph 6(b) below, then in that event, such owner shall be deemed to have accepted the option provided in Paragraph 6(c) below. Thereupon the payment of such cash bonus shall be made by Operator within thirty-five (35) days after the last day of which such defaulting owner under this Order, should have paid his proportionate part of such owner's costs or should have made satisfactory arrangements for the payment thereof.

- b. Cash Consideration: (\$225.00 per acre and a 1/8 total royalty, as more fully described herein) To accept \$225.00 per acre cash as a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in the cost thereof; such cash bonus to be paid by Operator within thirty-five (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, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1 (e) (1977). To elect this option, a respondent must be capable of delivering at least an 87.5% net revenue interest to the Operator, at the time elections are due herein.

- c. **Cash Consideration: (\$200.00 per acre and a 3/16 total royalty, as more fully described herein)** To accept \$200.00 per acre cash plus an overriding royalty 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 the cost thereof; such cash bonus to be paid by Operator within thirty-five (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, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1 (e) (1977); provided, however, in the event any 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 out above which of the alternatives set forth in Paragraph 6 above, any such owner accepts, then such owner shall be deemed to have accepted the cash bonus plus total royalty as set out in Paragraph 6(b). In the event any such owner's interest is burdened greater than the total royalty provided in Paragraph 6(b), then said owner will be deemed to have elected the option provided in Paragraph 6(c). In the event any owner elected to do other than participate in said well by paying his pro rata share of the costs thereof, or fails to make one of the elections provided above, such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, and interest or claim in and to the unit well or wells, 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. **Participation in Subsequent Wells:** 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 the cash consideration plus royalty provided in Paragraph 6(b) or 6(c) above shall receive no additional cash consideration for subsequent wells, but shall receive the royalty provided therein for subsequent wells.
 - a. **Election on Subsequent Wells:** In the event Operator proposes the drilling of a subsequent well they shall notify those owners who elected to participate in the initial well of their intent to drill a subsequent well, and said owners will have twenty (20) days from the receipt of said notice to elect whether to participate in said subsequent well or accept the options in lieu of participation provided in Paragraph 6(b) and 6(c) above. The notice provided by the Operator shall include the proposed costs of the subsequent well and owners electing to participate must pay their proportionate share of said costs within twenty-five (25) days from the receipt of notice from the Operator. 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 consideration provided in Paragraph 6(b) herein for all subsequent wells, unless they have

burdens exceeding the total royalty provided in Paragraph 6(b) in which event they will receive the consideration provided in Paragraph 6(c) above, with bonuses to be paid within thirty-five (35) days after the end of the election period. Any time an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall be deemed to have relinquished unto Operator all of such owner's right, title, and interest or claim in and to the proposed well, except for any share in production to which such owner may be entitled by reason of any election hereunder and shall not be allowed to participate in future wells drilled on the drilling and spacing unit covered hereby. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed by Operator for subsequent wells. Operations for any well proposed pursuant to this paragraph must be commenced within 180 days from the date of the proposal, or said proposal is void and the parties returned to their position prior to the proposal.

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.

9. Operator: Osage Exploration and Development, Inc.
2445 Fifth Avenue
Suite 310
San Diego, California 92101

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 shall be communicated to said Operator in writing at the address above as required in this Order. All written elections must be mailed and postmarked within the election period as set forth in Paragraph 6 above. That said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

10. Commencement of Operations: That Operator commence operations for the drilling or other operations with respect to the initial well covered hereby within 365 days from the date of this Order and shall diligently prosecute the same to completion in a reasonable prudent manner, or this Order shall be of no force and effect, except as to the payment of bonuses. In support of the 365 day commencement, Applicant's expert land witness testified that the Operator had issues of rig availability to drill various units and each unit required an advance infrastructure for water disposal.

11. Escrow Account: If any payments 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 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. 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, then such bonus shall be paid into an escrow account 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.

12. 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) (1977), 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. Filing of Affidavit: That the Applicant, or its Attorney, shall file with the Secretary of the Commission, within ten (10) days from the date of this Order, an Affidavit stating that a copy of said Order was mailed within three (3) days from the date of this Order, to all parties pooled by this Order, whose addresses are known.

14. Special Finding: That Applicant exercised due diligence to locate each of the respondents subject to the Application in this Cause and that a bona fide effort was made to reach an agreement with each respondent. 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 and 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 the owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply.

- 15. 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.

DONE AND PERFORMED this 1st day of July, 2014.

CORPORATION COMMISSION OF OKLAHOMA

Bob Anthony

BOB ANTHONY, Chairman

Patrice Douglas

PATRICE DOUGLAS, Vice Chairman

Dana L. Murphy

DANA L. MURPHY, Commissioner

ATTEST:

Peggy Mitchell

PEGGY MITCHELL, Commission Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

THE FOREGOING FINDINGS AND ORDER ARE THE REPORT AND RECOMMENDATIONS OF THE ADMINISTRATIVE LAW JUDGE.

Michael D. Norris

MICHAEL NORRIS, Administrative Law Judge

6.26.14

Date

Paul E. Porter

Reviewer

JUNE 26, 2014

Date

Approved as to form and content:

C. Helm

EXHIBIT "A"

APPLICANT: OSAGE EXPLORATION AND DEVELOPMENT, INC.
CAUSE CD NO.: 201403125

RESPONDENTS WITH KNOWN ADDRESSES

1. BG ENERGY PARTNERS LLC
P O BOX 30444
EDMOND OK 73003
2. FISHERMAN'S PETROLEUM CO., PLC
2601 NW EXPRESSWAY, SUITE 708W
OKLAHOMA CITY, OK 73112
3. GUARDIAN ENERGY CONSULTANTS, INC.
403 S. CHEYENNE, SUITE 403
TULSA, OK 74103
4. REACH ENERGY LIMITED
2601 NW EXPRESSWAY, SUITE 708W
OKLAHOMA CITY, OK 73112
5. *WILLIAM SNELL D/B/A SNELL OIL CO.
1003 SUNSET CIRCLE
YALE, OK 74085

RESPONDENTS WITH UNKNOWN ADDRESSES

- | | |
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| 6. ALTA HAMEL | 20. LV BROWN FAMILY L.P. |
| 7. ALVA EVANS | 21. MARY LOU PELKEY |
| 8. CLETUS K. SOLLARS | 22. NETTIE SCHMIDT |
| 9. CLOYD F SOLLARS | 23. OLIE R. EVANS |
| 10. ERVIN SOLLARS | 24. OLLIE ATHERTON |
| 11. FREDRICK W. KLINTWORTH AND ANGIE
KLINTWORTH | 25. OPAL I. SOLLARS |
| 12. G.L. PARISHO | 26. *OTIS A. HUDSON AND LILLIE MAE HUDSON, HW |
| 13. GRACE MCCARTY | 27. PAUL K SOLLARS |
| 14. HARVEY MILLS | 28. PAUL SOLLARS |
| 15. HAZEL MORRIS | 29. RILEY EVANS |
| 16. HULBERT EVANS | 30. *ROGERS FAMILY, LLC |
| 17. JAMES P. EVANS | 31. TARA LINDER |
| 18. JESSE E. SOLLARS | 32. WILLIAM A. VASSAR AND HOPE SLOAN VASSAR |
| 19. JOHN O. SOLLARS | 33. W.L. EVANS |

***Respondents listed for curative purposes only.**

If living, or if deceased, the known and unknown heirs, devisees, executors, administrators, successors, trustees and/or assigns, immediate and remote, of the above named parties.