## BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT:	XTO ENERGY INC.	)
RELIEF SOUGHT:	POOLING	)
LEGAL DESCRIPTION:	SECTION 34,	) CAUSE CD NO
	TOWNSHIP 6 SOUTH, RANGE 1 WEST,	) 201400421 )
	LOVE COUNTY, OKLAHOMA	) ORDER NO.

ORDER OF THE COMMISSION 628337

This Cause came on for hearing before Mary Candler, Administrative Law Judge for the Corporation Commission of Oklahoma, on the 9th day of June, 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 her findings and recommendations to the Commission. The appearances included **Richard K. Books**, attorney for Applicant; **David Pepper**, attorney for Continental Resources; and **Ron Barnes**, attorney for Mid-Con Energy.

The Administrative Law Judge heard the Cause and filed her 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 34, Township 6 South, Range 1 West, Love County, Oklahoma, a drilling and spacing unit pursuant to Order No. 627396. At the time of the hearing, the Deese, Upper Dornick Hills, Lower Dornick Hills, and Viola common sources of supply were dismissed.
- 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 that were dismissed from this matter are shown on the Exhibit "A" attached hereto, along with the remaining Respondents 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 34, Township 6 South, Range 1 West, Love County, Oklahoma, a drilling and spacing unit for the 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 - \$9,007,000.00 Completed as a dry hole - \$5,403,500.00

- b. \$1,100.00 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. \$1,000.00 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).
- d. \$500.00 per acre cash, plus an overriding or excess royalty of 10% (for a total royalty of 22.5%), 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).

e. An overriding or excess royalty of 1/8 (for a total royalty of 1/4) is also a fair, reasonable and equitable consideration to be tendered unto each owner who elects not to participate in said development by paying such owner's proportionate part of the cost thereof. Such overriding or excess royalty 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).

<u>PROVIDED</u>, 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.

<u>PROVIDED</u>, 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 paragraphs 2c, 2d, or 2e above.

<u>PROVIDED</u>, 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 2c above, the owner of any such interest shall not be entitled to the option provided in paragraphs 2b or 2c above, but shall be required to either participate or to accept the option provided in paragraphs 2d or 2e above.

<u>PROVIDED</u>, 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 2d above, the owner of any such interest shall not be entitled to the option provided in paragraphs 2b, 2c, or 2d above, but shall be required to either participate or to accept the option provided in paragraph 2e 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, 3c, 3d or 3e 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 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. 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; or,
- d. To receive the cash bonus plus overriding or excess royalty, as set out in paragraph 2d above, which cash bonus shall be paid or tendered by Applicant, if same can be paid or tendered, within <u>35 days</u> from the date of this Order; or,
- e. To receive the overriding or excess royalty only as set out in paragraph 2e above.

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.

- 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. The parties shall then revert to the position each party held prior to the subsequent well proposal.
- 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 <u>35 days</u> 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., <u>ATTENTION: JEFF PATTEN</u>: 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.

COPPORATION COMMISSION OF OKLAHOMA

Bob Anthony, CHAIRMAN

Patrice Douglas, VICE CHAIRMAN

Dana L. Murphy, COMMISSIONER

DONE AND PERFORMED THIS 28 DAY OF JULY, 2014.

Y QROER OF THE COMMISSION

## REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

**APPROVED:** 

Mary Candler

Administrative Law Judge

Date

Reviewer

Date

APPROVED AS TO FORM AND CONTENT:

Richard K

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#### **EXHIBIT "A"**

### **RESPONDENTS WITH KNOWN ADDRESSES:**

 Abigail Blackmon Orchard 18921 Wandering Vine Cove Pflugerville, TX 78660
 Beverly Berry Bogel 25 Highland Park Village

Dallas, TX 75205

- 3. Brett Addison and Lisa Addison 7051 Pike Rd.
  Burneyville, OK 73430 (CURATIVE)
- Cameron Arthur Clarke, Successor Trustee of the Robert Irby Clarke 1984 Trust 4441 Ben Ave.
   Valley Village, CA 91607 (CURATIVE)
- Continental Resources, Inc.
   N. Broadway
   Oklahoma City, OK 73102
- Cullins Resources, Inc.
   4422 Cypress Creek Pkwy., Ste. 105
   Houston, TX 77068
- David W. Potts Land & Exploration Co.
   P.O. Box 692
   Ardmore, OK 73402
- George David Blackmon, Trustee f/b/o Heather Gail Lucky
   928 Cortlandt St. Houston, TX 77008
- 9. Heather Gail Lucky 2400 Shelby Oak Ln. Austin, TX 78748 (CURATIVE)
- J. M. Newman
   2816 Ridgeway St.
   Ardmore, OK 73401

- James Doyle Berry, Jr.
   3544 Rankin St.
   Dallas, TX 75205
- James Doyle Berry, Jr.
   4022 W. Alabama St.
   Houston, TX 77027
- John deSteiguer, Vice President of Oklahoma Christian University, Eddie Hadlock, President of North Central Texas College, Terry Tombaugh, President of United Way of Cooke County, Texas, Ray Nichols, Chief Executive Officer of GNB Financial, N.A. and Charles Draper, Trust Officer of GNB Financial, N.A., Trustees of The Leo and Mabel Scott Charitable Trust c/o Frost Bank, Co-Trustee Account WB161 Mineral Asset Management T-6 PO Box 1600 San Antonio, TX 78296
- Land Oil Company, now known as Little Land Company, LP
   P.O. Box 618
   Madill, OK 73446
   (CURATIVE)
- 15. Little Land Company, LP P. O. Box 618 Madill, OK 73446 (CURATIVE)
- 16. LUZ, LLC P.O. Box 29 Lawton, OK 73502 (CURATIVE)
- Maidette Smith, Trustee of the Maidette Smith Trust UTA dated June 27, 1997
   829 Rosewood St. Ardmore, OK 73401 (CURATIVE)

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18.	Mark A. Newman DBA Mark A. Newman Corporation P.O. Box 1058 Ardmore, OK 73402	27.	Robert Irby Clarke, Trustee of the Robert Irby Clarke 1984 Trust c/o Cameron Arthur Clarke 4441 Ben Ave. Valley Village, CA 91607
19.	Melba Meriene Thurman a/k/a Melba Mariene Montgomery	00	(CURATIVE)
	400 Shepherd Rd. Sherman, TX 75090 (CURATIVE) - (DISMISSED)	28.	Robert Neil Berry 4520 Southern Ave., Apt. 4520 Dallas, TX 75205
20.	Monica M. Parker and Melba M. Thurman P.O. Box 56 Leon, OK 73441 (CURATIVE) - (DISMISSED)	29.	Robert Neil Irby, Jr. c/o Cameron Arthur Clarke 4441 Ben Ave. Valley Village, CA 91607 (CURATIVE)
21.	Monica Marie Parker a/k/a Monica Marie Montgomery P.O. Box 56 Leon, OK 73441 (CURATIVE)	30.	Ruth Alberta Blackmon Lippard 112 Hummingbird Ln., Apt. A Ingram, TX 78025 (DISMISSED)
22.	R. D. Davis & Associates, LLC 5733 NW 132nd St. Oklahoma City, OK 73102	31.	Ruth Alberta Blackmon Lippard 112 Hummingbird Ln., Apt. A Ingram, TX 78025
23.	Rhoda Carlene Montgomery Krachmire a/k/a Rhoda Carlene Montgomery, now Kretzschmar 447 High School Dr. Lewisville, TX 75057 (CURATIVE)	32.	Ruth Alberta Blackmon Lippard 1206 E. Widhelm St. Beeville, TX 78102 (DISMISSED)
	(00/0////2)	<b>33</b> .	Sadie Kahn
24.	Robert Irby Blackmon		c/o Jerome Westheimer
	1161 N. Ogden Dr. #109 North Hollywood, CA 91146 (DISMISSED)		P.O. Box 428 Ardmore, OK 73402
	(Lieumocze,	34.	Simon Westheimer, deceased
<b>25</b> .	Robert Irby Blackmon		c/o Jerome Westheimer
	7271 Ginger Ave.		P.O. Box 428
	Fontana, CA 92336		Ardmore, OK 73402
26.	Robert Irby Clarke 1989 Trust	<b>35</b> .	Simon Westheimer and Sadie Kahn
	c/o Cameron Arthur Clark		c/o Jerome Westheimer
	4441 Ben Ave.		P.O. Box 428
	Valley Village, CA 91607 (CURATIVE)		Ardmore, OK 73402

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36.	Southwestern Baptist Theological Seminary at Fort Worth, TX c/o Baptist Foundation of Texas 1601 Elm St., Ste. 1700	<b>47</b> .	Unknown heirs, successors and assigns of Clifford Eugene Montgomery, deceased (CURATIVE)
	Dallas, TX 75201 (CURATIVE)	48.	Unknown heirs, successors and assigns of Effie A. Sanders, deceased (CURATIVE)
37.	Southwestern Baptist Theological Seminary, a Texas non-profit corporation c/o Baptist Foundation of Texas 1601 Elm St., Ste. 1700 Dallas, TX 75201	<b>49</b> .	Unknown heirs, successors and assigns of Effie Gross Irby, deceased (CURATIVE)
38.	(CURATIVE)  The Baptist Foundation of Oklahoma	50.	Unknown heirs, successors and assigns of Faye K. Irby, deceased (CURATIVE)
	1601 Elm St., Ste. 1700 Dallas, TX 75201	51.	Unknown heirs, successors and assigns of Gail
39.	(CURATIVE) The Prospect Company		Irby Blackmon, deceased (CURATIVE)
	P.O. Box 1100 Edmond, OK 73083	<b>52</b> .	Unknown heirs, successors and assigns of Helen C. Franklin, deceased (CURATIVE)
40.	Unity School of Christianity, Unity Village, MO c/o Captial One, N.A., Trust Division P. O. Box 3928 Beaumont, TX 77704	<b>53</b> .	Unknown heirs, successors and assigns of H.M. Straughn, deceased
41.	Westheimer-Neustadt Corp., now known as KFOC, Inc. P.O. Box 21468	54.	Unknown heirs, successors and assigns of Harold Dean Montgomery, deceased (CURATIVE)
	Tulsa, OK 74121 (CURATIVE)	<b>55</b> .	Unknown heirs, successors and assigns of Hubert S. Clarke, deceased
42.	William Gail Blackmon 928 Cortlandt St. Houston, TX 77008	56.	Unknown heirs, successors and assigns of James Seymour Irby, deceased (CURATIVE)
43.	William Gail Blackmon 2301 S. MO Pac Expwy., Apt. 436 Austin, TX 78746	57.	Unknown heirs, successors and assigns of J.M. Newman, deceased
RESPO	ONDENTS WITH UNKNOWN ADDRESSES:	<b>58</b> .	Unknown heirs, successors and assigns of Lynece W. R. Irby, deceased (CURATIVE)
44.	John F. Scott (CURATIVE)	<b>59</b> .	Unknown heirs, successors and assigns of Mary
<b>45</b> .	R. E. Oliphant	20	Evelyn Berry, deceased
46.	Raymond Jimenez	60.	Unknown heirs, successors and assigns of Minerva Lewis, deceased (CURATIVE)

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- 61. Unknown heirs, successors and assigns of R. N. Irby a/k/a Robert Neil Irby, Sr., deceased
- 62. Unknown heirs, successors and assigns of Rosalie Ann Blackmon, deceased
- 63. Unknown heirs, successors and assigns of T. I. Sanders, deceased (CURATIVE)
- 64. Unknown heirs, successors and assigns of V. T. Irby a/k/a V. T. Irby, Sr., deceased (CURATIVE)
- 65. Unknown heirs, successors and assigns of Vassar Thaddeus Irby, Jr. a/k/a Vassar T. Irby, Jr., deceased (CURATIVE)
- 66. Unknown heirs, successors and assigns of William Arthur Clarke, Jr., deceased (CURATIVE)