

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: DEVON ENERGY PRODUCTION)
COMPANY, L.P.)
RELIEF SOUGHT: POOLING) CAUSE CD 201405261
LEGAL DESCRIPTION: SECTION 1, TOWNSHIP 19)
NORTH, RANGE 2 WEST, LOGAN COUNTY, OKLAHOMA)
)

ORDER NO. 630980

ORDER OF THE CORPORATION COMMISSION

This Cause came on for hearing before Niles Stuck, Administrative Law Judge for the Corporation Commission of the State of Oklahoma, on the 11th day of August, 2014 at 8:30 a.m., in the Commission Courtroom, Western Regional Service Office, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission.

Michael D. Stack and Elizabeth Anne George, Attorneys, appeared for the Applicant.

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. That this is the application of Devon Energy Production Company, L.P. for an Order pooling the interests and adjudicating the rights and equities of oil and gas owners in the Mississippian, Woodford, Misener-Hunton, Viola and Sylvan common sources of supply underlying Section 1, Township 19 North, Range 2 West, Logan County, Oklahoma. The respondents named in this Order are listed on the Exhibit "A" attached hereto. Respondent Jay Courtright, The known and unknown heirs and successors of J.L. Courtright, Deceased was dismissed from the applicant.

1A. The Applicant is proposing to develop the 640-acre drilling and spacing unit consisting of Section 1, Township 19 North, Range 2 West, Logan County, Oklahoma. At this time, the Applicant is intending to penetrate the common sources of supply named hereinabove or possibly frac into the formations in the well proposed, and intends to treat each of those common sources of supply in the pooling Order to issue herein as an aggregate.

1B. The captioned unit is included in a multi-well unit, consisting of Section 1, Township 19 North, Range 2 West and Section 36, Township 19 North, Range West, Logan and Noble Counties, Oklahoma. The Core Pad D 36-1-20N-2W well has been drilled. The total estimated costs to participate in the proposed well has been calculated on a 25.8 per cent for Section 1 and 74.2 per cent for Section 36.

2. The Commission has jurisdiction of the subject matter herein and of the persons interested therein and has jurisdiction to enter this order as hereinafter set forth. Notice of the filing

of the application herein and of the time, date and place of the hearing hereon was duly and properly given in all respects as required by law and the rules of the Commission. The Administrative Law Judge has examined the notices by publication, the publishers' affidavits of publication thereof, and the affidavits of mailing and the Administrative Law Judge conducted a judicial inquiry into the sufficiency of Applicant's search to determine the names and whereabouts of the respondents who were served by publication and based upon the evidence adduced, the Commission finds that Applicant has exercised due diligence and has conducted a meaningful search of reasonably available source at hand. The Commission hereby approves the publication service given herein as meeting the statutory requirements, rules of the Commission and minimum standards of state and federal due process, and finds that notice has been given in all respects as required by law and the rules of the Commission.

3. That the lands in paragraph 1 above are drilling and spacing units for the common sources of supply also named in paragraph 1, all heretofore Ordered by the Commission in Order No. 628805.

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

5. The Operator proposes to develop said units and the common sources of supply therefore by the drilling of a unit well or wells if hereinafter authorized to be drilled on the drilling and spacing unit 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, 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. That 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 on a unit basis.

ORDER

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

1. That Operator proposes to develop underlying Section 1, Township 19 North, Range 2 West and Section 36, Township 19 North, Range 2 West, Logan and Noble Counties, Oklahoma, drilling and spacing units for the Mississippian, Woodford, Misener-Hunton, Viola and Sylvan common sources of supply, and to develop said multiunit and the common sources of supply

therefore, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated, and determined. The evidence established the well drilled in the Woodford common source of supply could encounter additional formations in the drilling of the wellbore of the proposed well or during the completion phase when the well is completed. The Mississippian, Misener-Hunton, Viola and Sylvan formations are defined as associated common sources of supply.

2. a. That the estimated cost to drill, test and complete the Core Pad D 36-1-20N-2W multiunit well in Section 1 and Section 36 are:

	<u>Estimated Total Cost</u>	<u>25.8% split for Sec. 1</u>
Completed for production -	\$ 6,069,400.00	\$1,565.905.20

Participants in the development of the multiunit horizontal well hereby agree to pay such owner's proportionate part of the actual cost of the unit well covered hereby, as set out herein, to Devon Energy Production Company, L.P., Attention: Mid-Continent Land Department, P.O. Box 2097, Oklahoma City, Oklahoma 73101. The estimated proportionate part of the completed for production cost to be paid by participants is calculated on a 25.8% split between Section 1 and 74.2% split for Section 36. It is further understood that a participating party shall be obligated to remit payment of actual cost of the well based on the allocation of cost between Section 1 and Section 36 as defined in the multiunit order issued for the well.

- b. **A respondent can elect \$500.00 per acre cash with a 3/16 royalty.** The \$350.00 per acre cash, plus an overriding royalty of 1/16 of 8/8, is also a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit 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 unit covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., Section 87.1(e).
- c. **A respondent can elect \$375.00 per acre cash with a 1/5 royalty.** The \$100.00 per acre cash bonus with a normal 1/8 royalty plus an additional 7.5% of 8/8 override, is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit by paying such owner's proportionate part of the cost thereof; such 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 unit covered hereby as defined in 52 O. S., Section 87.1 (e).
- d. **An owner can elect no cash bonus with a 1/4 royalty.** The no cash bonus with a normal 1/8 royalty, plus an additional 1/8 override, is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to

participate in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit 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 unit covered hereby as defined in 52 O.S., Section 87.1(e).

PROVIDED, that each owner of the right to drill in said drilling and spacing unit who elects to accept either paragraph 2b or 2c defined above shall relinquish unto the Operator all of owner's right, title and interest as defined above in said well or wells if hereinafter authorized to be drilled on the drilling and spacing unit drilled and completed in the common sources of supply named in this Application.

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 hereinabove set forth, and same shall be reduced by the amount of any such excess.

3. That any owner of the right to drill on said drilling and spacing unit who has not agreed with the Applicant or Operator to develop said "pooling unit" and common sources of supply is accorded the following elections as to all or any part of such owner's interests as to each election:

- 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 the unit well covered hereby and paying, as set out herein, to Devon Energy Production Company, L.P., Attention: Mid-Continent Land Department, P.O. Box 2097, Oklahoma City, Oklahoma 73101, such owner's proportionate part of the estimated completed for production cost thereof, as set out in paragraph 2a above, or by securing or furnishing security for such payment satisfactory to the Operator so as to assure timely payment of such cost; in all events such owner's cost in said unit 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 costs of said unit well, or the securing of such costs, or the furnishing of security therefore, as aforesaid, **within 25 days from the date of this order**, such owner's proportionate part of the costs of, and of the production from such unit well, to be in proportion to the number of acres such owner has in the unit. Failure to pay will deem the respondent electing the cash bonus with the next revenue the respondent can deliver.
- b. **To receive the cash bonus as set out in paragraph 2b or 2c above, which shall be paid or tendered, if same can be paid or tendered by the Applicant, within 35 days from the date of this Order, or, if any payment**

of bonuses due and owing under the order cannot be made to any such party entitled to such payment, then said bonuses, and any royalty payments due such party, shall be paid into an escrow or trust account and shall not be commingled with any funds of the Operator or Applicant. Such funds deposited in said escrow or trust account shall be held for the exclusive use of, and sole benefit of, the party or parties entitled thereto.

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 Operator or Applicant. 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 the 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 Applicant to notify all other holders of this provision and of the Commission rules regarding unclaimed monies under the pooling order.

- c. **To receive as set out in paragraph 2d the no cash bonus with a 1/4 royalty.**

4. That each owner of the right to drill in said drilling and spacing unit to the common sources of supply covered hereby, who has not agreed to develop said units, other than the Applicant, shall elect as to all or any part of the interest of such owner in the units which of the elections set out in Paragraph 3 above such owner accepts, said **elections to be made to Devon Energy Production Company, L.P., Attention: Mid-Continent Land Department, P O Box 2097, Oklahoma City, OK 73101, 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 in paragraph 3 above, then such owner is deemed to have elected the highest cash bonus plus royalty the owner can deliver as set out in paragraph 2 above. An owner failing to elect or electing not to participate shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in said unit well or wells if hereinafter authorized to be drilled on the drilling and spacing unit, except for the royalty interest provided above.

5. 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 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 Operator for the payment thereof, all within the periods of time as prescribed in this Order, then such owner is deemed to have elected the highest cash bonus associated with the net revenue the owner can deliver to the Operator. There upon, 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.

6. Operator drilled the Core Pad D 36-1-20N-2W well and now must diligently prosecute the same to completion in a reasonably prudent manner. It is further ordered that **Devon Energy Production Company, L.P.**, shall be designated Operator of the unit well. Operator Devon Energy Production Company, L.P., has the proper surety and plugging bond on file with the Corporation Commission.

7. Participation in Subsequent Wells: If, subsequent to the drilling of a well or wells provided for herein, another well or wells is proposed in the drilling and spacing unit covered hereby under the plan of development established by this Order, Operator shall send written notice of the proposed subsequent well to each party who timely and properly elected to participate in the prior well. The written notice shall be sent by certified mail to the last known address of each respondent and shall contain a brief description of the proposed subsequent well. The notice shall also include the estimated costs of the well as a dry hole and as a producing well. Each party entitled to the above-described written notice shall have **20 days from date of the notice in which to elect**, in writing, to the operator whether or not to continue to participate in the development of the separate common sources of supply and the drilling and spacing units involved in this cause under the plan of development established by this Order as to the proposed subsequent well(s) or in lieu thereof, to elect one of the provisions provided for in Paragraph 2 above for compensation in full for all rights and interest of such owner in all additional subsequent wells drilled pursuant to this order. The cash bonus elected to be paid or tendered **within 35 days from date of notice**.

In the event a party who is entitled to make a written election to participate as to a subsequent well as provided for herein, shall fail to timely and properly elect in writing to so participate, or who shall have elected affirmatively in writing not to participate in such subsequent well, then such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, interest or claim in and to the proposed well and all future wells drilled in the unit and common sources of supply defined in this order. A party who no longer has the right to participate in all future subsequent well(s) shall continue to accept the royalty provision defined by this order.

Any party entitled to make a written election as to a subsequent well who elects to continue to participate in the development of the separate common sources of supply in the drilling and spacing units provided for herein under the plan of development established by this Order, shall be deemed to have agreed to pay such party's proportionate part of the actual costs of the proposed subsequent well, and shall pay such party's proportionate part of the anticipated completed for production costs as set forth in the notice or reach an agreement with the Operator concerning the well cost **within 25 days from date of notice thereof**, said payment to be made to Operator at its then current address. In the event any owner elects as to the proposed subsequent well to continue to participate in the development of the separate common sources of supply under the plan of development established by this Order, but thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the estimated completed for production well costs within the manner and time prescribed herein, then such owner shall be deemed to have withdrawn its election to continue to participate in the proposed subsequent well and future wells.

As to any subsequent well proposed under this paragraph, Operator shall commence, or cause

to be commenced, operations on the subsequent well **within 180 days from the date of written notice** proposing the subsequent well, and shall thereafter continue such operations with due diligence to completion. If operations on the proposed subsequent well are not commenced within the above described 180 day period, then the elections of the parties as to the proposed subsequent well shall expire and the parties shall be in the same position relative to each other that they were in immediately prior to the written notice of the subsequent well being transmitted by Operator. In such event all rights acquired from the parties electing in the proposed subsequent well not to continue to participate in the development of the separate common sources of supply and drilling and spacing units under the plan of development established by this Order, shall be relinquished by Operator and any other acquiring party and such relinquished rights shall revert in the parties who elected not to continue to so participate. Failure to timely commence any subsequent well shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled herein under the plan of development established by this Order and shall not terminate such plan of development.

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 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.

8. 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.

CORPORATION COMMISSION OF OKLAHOMA

Bob Anthony

BOB ANTHONY, CHAIRMAN

Patrice Douglas

PATRICE DOUGLAS, VICE CHAIRMAN

Dana L. Murphy

DANA L. MURPHY, COMMISSIONER


DONE AND PERFORMED THIS 23 DAY OF Sept., 2014.

BY ORDER OF THE COMMISSION:

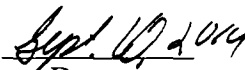
Peggy Mitchell
PEGGY MITCHELL, Commission Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE


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



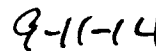
NILES STUCK
Administrative Law Judge



Date

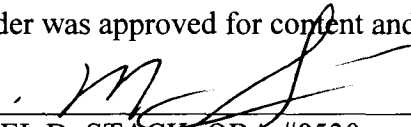


Reviewer



Date

This Order was approved for content and form.

BY: 

MICHAEL D. STACK, OBA #8530
ELIZABETH ANNE GEORGE, OBA #11641
943 East Britton Road
Oklahoma City, Oklahoma 73114
Bus (405) 286-1717 Fax (405) 286-2122
Attorney for Applicant

Exhibit "A"
Sec 1, T19N, R2W

1. BNSF Railway Company
c/o Farmers National Company
5110 S. Yale, Suite 400
Tulsa, OK 74135
NO PROOF OF RECEIPT
PRESUMED GOOD ADDRESS

3. Jay Courtright
The known and unknown heirs and successors of
J. L. Courtright, deceased
6329 Birchmont Drive
Plano, TX 75093
DISMISSED

2. Michael R. Aldridge
The known and unknown heirs and successors of
Gloria Campbell, deceased
1007 Stonebrook Drive
Grand Prairie, TX 75052
ADDRESS UNKNOWN

4. JCJ Oil and Gas, LLC
12308 St. Lukes Lane
Oklahoma City, OK 73142
KNOWN ADDRESS

5. Leigh W. Stansberry
20821 North Pennsylvania
Edmond, OK 73012
KNOWN ADDRESS

6. Laurie W. Sawyer
The known and unknown heirs and successors of
Nina Darline Wilson, deceased
1319 Lindsay Street
Gainesville, TX 76240
KNOWN ADDRESS

7. Prize Energy Resources, LP
202 S. Cheyenne Ave, Suite 1000
Tulsa, OK 74103-3001
KNOWN ADDRESS

8. Brady Clark
The known and unknown heirs and successors of
Rudolph Henke, deceased
8008 Rushing Spring Dr.
North Richland Hills, TX 76182
KNOWN ADDRESS

9. Carla Bryant
2501 E. Glenoaks Blvd.
Glendale, CA 91206-3030
KNOWN ADDRESS

10. Continental Pipe Line Company
P.O. Box 2197
Houston, TX 77252
KNOWN ADDRESS

11. Annabel Chadwick
John B. Chadwick, Trustee of the John B.
Chadwick Trust UAD 4-24-85
6621 Algarve Drive
Denton, TX 76210
KNOWN ADDRESS

12. Clyde Golightly
Chris Golightly
Tony Golightly
The known and unknown heirs and successors of
Patricia Golightly, deceased
103 West Obuch Street
Valley View, TX 76272
KNOWN ADDRESS

13. Sundance Energy, Inc.
633 17th Street, #1950
Denver, CO 80202
NO PROOF OF RECEIPT
PRESUMED GOOD ADDRESS
SEE #14

14. Sundance Energy, Inc.
13524 Railway Drive, Suite G
Oklahoma City, OK 73114
KNOWN ADDRESS

15. Tiptop Energy Production US LLC
P.O. Box 53330
Houston, TX 77052
KNOWN ADDRESS

16. The known and unknown heirs and successors
of Tamie Smith, deceased
ADDRESS UNKNOWN