

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: STEVE NAIL)
RELIEF SOUGHT: POOLING) CAUSE CD NO. 201201310
LEGAL DESCRIPTION: SW/4 NE/4 SECTION 30, TOWNSHIP 7) ORDER NO. **595965**
NORTH, RANGE 4 EAST,)
POTTAWATOMIE COUNTY,)
OKLAHOMA)

ORDER OF THE COMMISSION

1. Hearing Date and Place: 8:30 a.m., March 26, 2012, Jim Thorpe Building, 2101 N. Lincoln Boulevard, Oklahoma City, OK 73105.

2. Appearances: GREGORY L. MAHAFFEY, Attorney, appeared for Applicant.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and persons. The Commission has conducted a judicial inquiry into the sufficiency of Applicant's search to determine the names and whereabouts of respondents served herein by publication, and based on the evidence adduced, the Commission finds that Applicant, the owner of oil and gas leasehold interests within the lands described in the caption hereof, has exercised due diligence and has conducted a meaningful search of all reasonably available sources at hand. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and by the rules of the Commission.

4. Amendment: This application was orally amended to dismiss therefrom the Respondents indicated as Dismissed on the attached Exhibit "A".

5. Relief Requested: To pool and adjudicate the rights and equities of the owners named on Exhibit "A", attached hereto, in the Calvin, Senora, Earlsboro, Bois D'Arc, Chimney Hill, Fernvale, Viola and Second Wilcox common sources of supply underlying the SW/4 NE/4 of Section 30, Township 7 North, Range 4 East, Pottawatomie County, Oklahoma, and to designate Applicant or some other party as Operator.

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 common sources of supply as indicated:

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Calvin	40-acres	205441
Senora	40-acres	205441
Earlsboro	40-acres	205441
Bois D'Arc	40-acres	205441
Chimney Hill	40-acres	205441
Fernvale	40-acres	205441
Viola	40-acres	205441
Second Wilcox	40-acres	205441

said owners named in Exhibit "A", attached hereto, are afforded the following elections which said owners may make with all or any part of their interest; however, said owners must make their elections within 20 days from the date of this order. That the Commission shall retain jurisdiction to determine the reasonableness and necessity of the drilling, completion and operation costs to develop the unit and wells covered hereby.

6.1 **Participate:** To participate in the development of the unit and common source of supply by agreeing to pay such owner's proportionate part of the actual development and operation costs of the initial well covered hereby, which costs shall include a reasonable monthly charge for overhead which may be changed from time to time at the option of Operator, but shall not exceed what is reasonable, and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed for production cost thereof, or by securing or furnishing security in addition to the election to participate for such payment satisfactory to the Operator, within 25 days from the date of this order, as follows:

Completed for production	-	\$ 218,250
*Completed as a dry hole	-	\$ None
*This is a re-entry of the Sherri Well		

provided, however, that in the event an owner elects to participate in said well he thereby agrees to pay his proportionate part of the actual costs thereof and if he fails or refuses to pay or to secure the payment of such owner's proportionate part of the completed for production cost as set forth herein, or fails or refuses to pay or furnish security satisfactory to 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 cash bonus plus overriding or excess royalty, as provided in Paragraph 6.2 below. Thereupon, the payment of such cash bonus shall be made by Operator 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 with Operator and upon receipt of a signed IRS Form W-9.

6.2 **Cash Consideration of \$150.00 Per Acre and 1/8 Total Royalty - Unit Interest:** To accept **\$150.00 per acre** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof, such cash bonus to be paid by Operator within the later of 35 days from the date of this order or upon receipt of a signed IRS Form W-9 and when so paid shall be satisfaction in full for all rights and interests of such owner in the wells, unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, as defined in 52 Okla. Stat. § 87.1(e). Provided, however, that if any owner's interest has burdens that exceed the normal 1/8 royalty interest, then, in that event, such owner shall be deemed to have accepted the option provided in Paragraph 6.3 below. **Further, any party electing to accept the consideration set forth in this paragraph must be able to deliver on the date elections are due an 87.5% net revenue interest.**

6.3 **Cash Consideration of \$100.00 Per Acre and 3/16 Total Royalty - Unit Interest:** To accept **\$100.00 per acre plus an overriding royalty or excess royalty of 1/16 x 8/8** as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid by Operator

within the later of 35 days from the date of this Order or receipt of a signed IRS Form W-9 and when so paid shall be satisfaction in full for all rights and interests of such owner in the wells, unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, as defined in 52 Okla. Stat. § 87.1(e); **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 x 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess, and further provided that 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 normal 1/8 royalty, plus overriding royalty or excess royalty provided in this paragraph, then in that event, such owner shall be deemed to have accepted the option provided in Paragraph 6.4 below. Further, any party electing to accept the consideration set forth in this paragraph must be able to deliver on the date elections are due an 81.25% net revenue interest.**

6.4 **No Cash Consideration Per Acre and 1/4 Total Royalty - Unit Interest: To accept no cash and an overriding or excess royalty of 1/8 of 8/8 as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof; such overriding or excess royalty shall be satisfaction in full for all rights and interests of such owner in the wells, unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, as defined in 52 Okla. Stat. § 87.1(e); **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 1/8 x 8/8 overriding royalty 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 highest cash bonus and lowest royalty for which such owner qualifies. In the event any owner elects to do other than participate in said well 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 wells, unit and common sources of supply, 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: STEVE NAIL
D/B/A NAIL OIL & GAS
P. O. BOX 237
MAUD, OK 74854**

an owner of the right to drill in said drilling and spacing unit is designated Operator of the unit wells and common source of supply covered hereby; that said Operator has a current plugging bond or financial statement on file with the Corporation Commission. All elections required in Paragraph 6 hereof shall be communicated to **Applicant, in care of Energy Lease Brokerage**, in writing at the address below as required in this order.

**STEVE NAIL, D/B/A NAIL OIL & GAS
C/O ENERGY LEASE BROKERAGE
P. O. BOX 1950
SEMINOLE, OK 74818-1950**

All written elections must be mailed and postmarked within the election period set forth in Paragraph 6.

9. Commencement of Operations: That Operator shall 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 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, royalty payments or other payments due and owing under this order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus, royalty payments or other payments shall be paid into an escrow account within **90 days** after this order and shall not be commingled with any funds of Applicant or Operator. Provided, however, that the Commission shall retain jurisdiction to grant to financially solid and stable holders an exception to the requirement that such funds be paid into an escrow account with a financial institution and permit such holder to escrow such funds within such holder's organization. Responsibility for filing reports with the Commission as required by law and Commission rule as to bonus, royalty or other payments escrowed hereunder shall be with the applicable holder. Such escrowed funds 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 payment or other payments due to such person shall be paid into an escrow account by the holder of such funds.

10. Operator's Lien: That Operator, pursuant to 52 Okla. Stat. § 87.1(e) and in addition to any other rights provided herein, shall have a lien on the leasehold estate and the share of production from the unit pooled hereby of any owner subject to the terms of this order who has elected to participate in the initial well covered hereby. Such lien shall secure the payment of the participant's proportionate share of all costs incurred in the development and operation of the unit.

11. Special Finding: That Applicant exercised due diligence to locate each of the respondents subject to this Application and that a bona fide effort was made to reach an agreement with each respondent and that Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common source of supply as a unit; that Applicant has proposed the drilling of the initial well on said unit and to develop said common source 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 source of supply.

12. Special Provisions:

12.1 Non-participants: The granting of the relief requested by Applicant shall include the intent of Applicant to pool and adjudicate the rights and equities of the owners in the tract described herein as to those separate common source of supply set forth above to be tested by the proposed well on a unit basis and not on a borehole basis for any wells drilled as to the respective separate common source of supply cited herein. That the election not to participate as a working interest in the proposed initial unit

well shall operate to foreclose the interests of the respondents as to elections to participate in any subsequent well that may at some future time be drilled within the subject unit pursuant to this order; and that the initial election made by respondents herein shall be binding as to the respondents, their assigns, heirs, representatives, agents, or estate for the first and all subsequent wells drilled pursuant to this order.

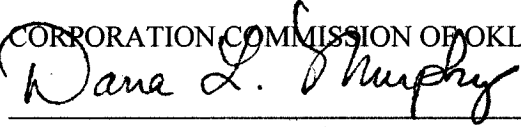
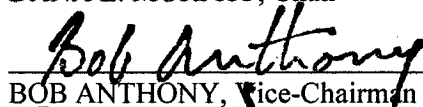

12.2 Participation in Subsequent Wells: Only those owners who participate ("Participants") both in the initial well and any subsequent well drilled hereunder can participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected in the initial well any option contained herein other than participation shall receive no cash consideration for subsequent wells, but shall receive for subsequent wells the same excess royalty, if any, initially elected. In the event Participant ("Proposing Party") proposes the drilling of a subsequent well it shall notify those owners who elected to participate in the prior well of its intent to drill a subsequent well, and said owners will have 20 days from the receipt of said notice to elect whether to participate in said subsequent well or accept the option set forth in Paragraph 6.2 herein. The notice provided by the Proposing Party shall be by facsimile or by certified mail and shall include the approximate location, depth and an AFE containing the proposed costs of the subsequent well, and owners electing to participate must pay to the Operator or furnish security satisfactory to Operator for their proportionate share of said costs within 25 days from the receipt of notice from the Proposing Party. 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 be deemed to have elected the option set forth in Paragraph 6.2 herein. Any bonus due hereunder will be paid within 35 days of the receipt of notice from the Proposing Party or upon receipt of an executed IRS form W-9 by the Proposing Party, whichever is later. Any such proposal shall expire 180 days after the date thereof if operations for the drilling of the well proposed thereby have not commenced. Any time 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 under the terms of this order. That location exception, density or other regulatory authority must be obtained, if necessary for the drilling of the subsequent well, before a valid proposal can be made. If the Operator hereunder elects to participate in subsequent operations with any part of its interest there shall be no change of operator hereunder. The Oklahoma Corporation Commission shall retain jurisdiction to determine the reasonableness of the drilling and completion costs proposed by Applicant for subsequent wells.

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.

13. Filing of Affidavit: That 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.

14. 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

DANA L. MURPHY, Chair

BOB ANTHONY, Vice-Chairman

PATRICE DOUGLAS, Commissioner

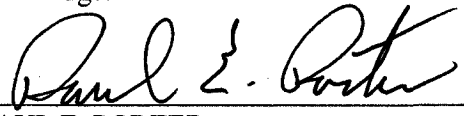
DONE AND PERFORMED ON APRIL 3, 2012.

BY ORDER OF THE COMMISSION

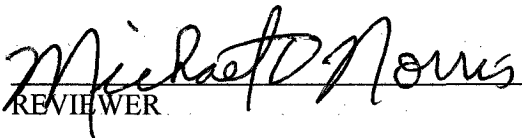
PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing Findings and Order are the Report and Recommendation of the Administrative Law Judge.


PAUL E. PORTER
Administrative Law Judge

MARCH 30, 2012
Date


REVIEWER

3-30-12
Date

APPROVED:


GREGORY L. MAHAFFEY, OBA #5626
Attorney for Applicant

EXHIBIT "A"
CAUSE CD# 201201310

STEVE NAIL, POOLING RESPONDENT LIST

SW/4 NE/4 OF SECTION 30, TOWNSHIP 7 NORTH, RANGE 4 EAST, POTTAWATOMIE CO., OKLAHOMA
THOSE PARTIES WITH "UNLOCATABLE" PRECEDING THEIR NAMES, IF ANY, WERE NOT LOCATED.
THOSE PARTIES WITH "CURATIVE" PRECEDING THEIR NAMES, IF ANY, WERE POOLED FOR
CURATIVE PURPOSES.

- | | | | |
|-----|--|-----|---|
| 1. | Andrews, Melvin
120 South Persimmon Ave.
Odessa, TX 79763 | 11. | Davis, Clarence
c/o Paula Davis
309 N. Glenwood Dr.
Enid, OK 73703 |
| 2. | Bledsoe, Randy J., Successor Trustee
of Jimmy W. Bledsoe Testamentary Trust
1202 NE 72nd Terr
Gladstone, MO 64118 | 12. | Davis, Effie M.
c/o Paul Davis, Jr.
20 Hialeah Dr.
Midland, TX 79705 |
| 3. | Brewster, Christy Lynn
712 East Maple
Enid, OK 73701 | 13. | Davis, George B.
P.O. Box
302 Riverdale, CA 93656 |
| 4. | Brown, Thomas W.
P.O. Box 621
Wellston, OK 74881 | 14. | Dennison, Geneva
914 S. 19th
Chickasha, OK 73018 |
| 5. | Brown, Darla
1495 KM Ranch Rd
Whitefish, MT 59937 | 15. | Enerlex, Inc.
18452 E 111th St.
Broken Arrow, OK 74011 |
| 6. | Buttram Energies, Inc.
2601 NW Expressway, Ste. 501 W
Oklahoma City, OK 73112 | 16. | Evans, Bob
103 E. Lakeview Dr. Unit 9747
Tecumseh, OK 74873 |
| 7. | Carter, Thomas, sole heir
Ura Bell Reeves
1705 SE 39th Ave.
Portland, OR 97214 | 17. | Flynn, Karen
199 ½ Summit St.
Elkins, WV 26241 |
| 8. | Clifton, John L., dec.
c/o 3917 Sparkle St.
Norman, OK 73072 | 18. | Geneve Bledsoe Trust dated 3-29-97
Geneve Bledsoe, Trustee
7115 Greenspoint Dr.
Arlington, TX 76001-6731 |
| 9. | <u>DISMISSED</u>
Coon, Jamie Sue
2055 SW Lincoln
Topeka, KS 666094 | 19. | Henderson, Odellia
2906 E Elm
El Reno, OK 73036 |
| 10. | Cooper, Thomas
1119 Harding St.
Seminole, OK 74868 | 20. | Kauffman, Jennis Ruth Schuman,
Adm. Estate of Sophie Feller Schuman, dec.
10735 Villa Lea Lane
Houston, TX 77071 |

21. Kauffman, Jennis Ruth Schuman
10735 Villa Lea Lane
Houston, TX 77071
22. **UNLOCATABLE**
Kolb, Kristi
2013 MacArthur Ct.
Dunedin, FL 34698
23. **DISMISSED**
Larry J. & Norma J. Bledsoe
Living Trust, dated 12/2/2012
15100 County Street 2690
Minco, OK 73059
24. Lehman, Vera
17025 South Maple Rd
Minco, OK 73059
25. Lighty, Evertt
P. O. Box 267
Perry, OK 73077
26. Lockard, Darrel Loyd & Linda Lockard
212 Liza Lane
Tecumseh, OK 74873
27. McGaha, Sharon Renae
125 Sunnyside Dr.
Batesville, AR 72501
28. Mekusukey Oil Company, LLC
P.O. Box 816
Wewoka, OK 74884
29. Munday, Candyce A. Thomas
1218 Valley Forge Dr.
Yukon, OK 73099
30. Payne, Verna
16935 South Maple Rd
Minco, OK 73039
31. Priddy, Michael Don
21510 East Memorial Rd
Luther, OK 73054
32. Priddy, Ronald Wayne
Rt. 1, Box 115A
Luther, OK 73054
33. Randall, Gayla
13501 Princeton Lane
Edmond, OK 73013
34. Raybourn H. Smiser 1999 Trust dated 5-17-99
Raybourn H. Smiser, Jr. & Mary Vaughn
Smiser, Trustees
P.O. Box 60731
Oklahoma City, OK 73146
35. Rayburn, Joan
202 Apt. B Stanford Dr.
Lafayette, OK 70503
36. Reeves, Ura Bell
230 N. Douglas St.
Maud, OK 74854
37. Sanders, Jon Gregory
786 Lytle Shores Dr.
Abilene, TX 79602
38. Sanders, Donald Garrett
17810 Coke Ave
Bellflower, CA 90706
39. Sanders, Charles Eugene
5526 Sagebrush Ct
Etiwanda, CA 91736
40. Schuman, Sophie Feller, deceased
Jennis Ruth Schuman Kauffman, Adm. Est
10735 Villa Lea Lane
Houston, TX 77071
41. Schuman, David Feller
7 Cider Mill Rd
Haydenville, MA 01039
42. Socony Mobil Oil Company, Inc.
c/o Exxon Mobil Corporation
P.O. Box 4710
Houston, TX 77210-4710
43. Spaugy, Loyd L.
7205 NW 45th St.
Bethany, OK 73008
44. Tarpley, Deborah S.
3001 East Hefner Rd
Oklahoma City, OK 73131

- 45. The Charles and Carolyn Sanders
Revocable Trust dated 2-21-06
2721 Homestead North
Ponca City, OK 74604
- 46. Thompson, Linda Adm Est of Gerald E.
Sanders, dec.
c/o Linda Sanders Thompson
8 Overlook Dr.
Newport Coast, CA 92657
- 47. Thompson, Linda
a/k/a Linda Sanders Thompson
8 Overlook Dr.
Newport Coast, CA 92657
- 48. Crownover, Bertie Louise
(originally #AU 3)
12140 S. Truro Ave.
Hawthorne, CA 90250

ADDRESSES UNKNOWN

- U 1. Bledsoe, Earl Leon, dec.
ADDRESS UNKNOWN
- U 2. Brooks, Dealie J., dec
ADDRESS UNKNOWN
- U 3. Crownover, Bertie Louise
(Now # 48)
ADDRESS UNKNOWN
- U 4. Davis, Anna, dec.
ADDRESS UNKNOWN
- U 5. Davis, Anna
ADDRESS UNKNOWN
- U 6. Davis, E.O.
ADDRESS UNKNOWN
- U 7. **CURATIVE**
Davis, L.L., dec.
ADDRESS UNKNOWN
- U 8. Davis, Leaman D., dec
ADDRESS UNKNOWN
- U 9. Davis, M.F.
ADDRESS UNKNOWN

- U 10. Davis, Thomas Jefferson, dec.
ADDRESS UNKNOWN
- U 11. Davis, Opal
ADDRESS UNKNOWN
- U 12. Davis, Vireda
ADDRESS UNKNOWN
- U 13. Davis, Foy
ADDRESS UNKNOWN
- U 14. Eagle Property Holding Corp.
ADDRESS UNKNOWN
- U 15. Geno, Allie
ADDRESS UNKNOWN
- U 16. Gerhardt, Emma
ADDRESS UNKNOWN
- U 17. Greer, Elaine
Rt 2, Box 29
Watonga, OK 73772
- U 18. Hestbeck, Betty F.
ADDRESS UNKNOWN
- U 19. Hille, Bessie, dec
ADDRESS UNKNOWN
- U 20. Lehman, Eugene
ADDRESS UNKNOWN
- U 21. Lehman, Alvin (husband of Vera)
17025 S. Maple RD
Minco, OK 73059
- U 22. **CURATIVE**
McFarland, Virginia A., dec.
ADDRESS UNKNOWN
- U 23. McMillon, Irene
ADDRESS UNKNOWN
- U 24. Pettit, Aleta M., dec.
ADDRESS UNKNOWN
- U 25. Priddy, Frances Marie, dec.
ADDRESS UNKNOWN

- U 26. Sanders, Gerald E., dec.
ADDRESS UNKNOWN
- U 27. Sanders, J.L.
ADDRESS UNKNOWN
- U 28. Sanders, Betty Jean
ADDRESS UNKNOWN
- U 29. Sanders, Ronald Duane
ADDRESS UNKNOWN
- U 30. Schlebhuber, Etta Mae
ADDRESS UNKNOWN
- U 31. Spaugy, Willie
ADDRESS UNKNOWN
- U 32. Spaugy, Mable
ADDRESS UNKNOWN
- U 33. **CURATIVE**
Thompson, Clara
ADDRESS UNKNOWN
- U 34. Westfall, L.M.
ADDRESS UNKNOWN
- U 35. Virginia A. McFarland, Trustee of the
Virginia A. McFarland Living Trust
ADDRESS UNKNOWN

AND, IF ANY OF THE FOREGOING BE
DECEASED, THE UNKNOWN HEIRS,
EXECUTORS, ADMINISTRATORS, DEVISEES,
TRUSTEES AND ASSIGNS, IMMEDIATE AND
REMOTE, OF ANY SUCH PARTY