

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: SANDRIDGE EXPLORATION AND )  
PRODUCTION, LLC )  
RELIEF SOUGHT: POOLING ) Cause CD No. 201202237  
LEGAL DESCRIPTION: Fractional Section 13, )  
Township 29 North, )  
Range 19 West of the 1M, ) **597367**  
Woods County, Oklahoma ) Order No. \_\_\_\_\_

**ORDER OF THE COMMISSION**

Findings and Order

1. Administrative Law Judge, Hearing Date and Place: This cause came on for hearing before Michael D. Norris, Administrative Law Judge for the Corporation Commission of Oklahoma, on April 30, 2012, in the assigned Administrative Law Judge's courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma.
2. Appearances: John R. Reeves, attorney, appeared for Applicant, SandRidge Exploration and Production, LLC.
3. Notice and Jurisdiction: 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 thereon was duly and properly given in all respects as required by law and the rules of the Commission. The Commission hereby approves the service of notice, including the publication service, given in this cause 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.
4. Amendments: At the hearing herein, the application in this cause was not amended.

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5. Relief Requested: 5.1 The application in this cause requests the Corporation Commission of Oklahoma to enter an order pooling the drilling rights and working interest, and fixing and determining the equities with respect thereto, of the owners involved herein in the Upper Pennsylvanian Sand, Pennsylvanian Sand, Kansas City-Lansing Lime, Oswego Lime, Verdigris Lime and Mississippi Lime separate common sources of supply in the "640-acre" drilling and spacing units formed therefor in fractional Section 13, Township 29 North, Range 19 West of the IM, Woods County, Oklahoma, and designating Applicant or some other party recommended by Applicant as Operator under the plan of development to be established in this cause for the separate common sources of supply in the drilling and spacing units involved herein, including the proposed initial unit well and any subsequent well or wells drilled under or otherwise covered by such plan of development of such units.

5.2 By Order No. 99869, the Commission formed "640-acre" drilling and spacing units in said fractional Section 13 for the Upper Pennsylvanian Sand, Pennsylvanian Sand, Kansas City-Lansing Lime, Oswego Lime, Verdigris Lime and Mississippi Lime separate common sources of supply. Said Section 13 lies along the Oklahoma-Kansas state boundary line and such section is a fractional section, containing approximately 561.38 acres.

6. Relief Granted: 6.1 The relief requested, as described above, is hereby granted so that the rights and equities of the owners involved herein are hereby pooled, adjudicated and determined as to the drilling and developing of and the production of oil and gas from the Upper Pennsylvanian Sand, Pennsylvanian Sand, Kansas City-Lansing Lime, Oswego Lime, Verdigris Lime and Mississippi Lime separate common sources of supply in the "640-acre" drilling and spacing units formed for such separate common sources of supply in fractional Section 13, Township 29 North, Range 19 West of the IM, Woods County, Oklahoma.

6.2 Options. The fair and reasonable compensation to be paid to any owner of drilling rights or working interest named and described in Exhibit "A" attached hereto and made a part hereof, in lieu of the right to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved herein under the plan of development established in this order, is as set forth below in subparagraph (ii), (iii) or (iv) of this paragraph, and any party owning drilling rights or working interest herein pooled is hereby accorded the following options:

(i) **Participation.** To participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause in the land covered hereby under the plan of development established in this order by agreeing to pay such owner's proportionate part of the actual cost of any well covered hereby and by paying as set forth herein, to Applicant, such owner's proportionate part of the \$3,350,857.00 estimated cost of the proposed initial unit well covered hereby or in lieu of such payment, furnishing to Applicant security satisfactory to Applicant for the payment thereof within twenty-five (25) days of the date of this order so as to perfect such election to so participate; such owner's proportionate part of the cost of, and of the production from, any such well to be in the proportion that the number of net mineral acres in the units covered by the drilling rights or working interest owned by such owner bears to the entire number of mineral acres in such units; or

(ii) **\$600.00 per acre Cash Bonus plus a 1/8th Total Royalty, as more fully set forth below.** In lieu of participating in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause in the land covered hereby, to elect to receive a sum of \$600.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, with the normal 1/8th royalty as defined in 52 O.S. §87.1; provided, however, in the event such owner's interest is burdened by a royalty or other burden on production totaling not more than 1/8th of 8/8ths (hereinafter referred to as "burdens"), all such burdens shall be charged against the royalty provided for immediately above so that such royalty shall be reduced by the amount of all such burdens and therefore, any owner electing this option shall deliver under this order a net revenue interest of 87.5% of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order; and provided, further, that such royalty provided for above and such net revenue interest of 87.5% of 8/8ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the units covered by the drilling rights or working interest owned by such owner and relinquished under this subparagraph bears to the entire number of mineral acres in such units; or

(iii) **\$500.00 per acre Cash Bonus plus a 3/16ths Total Royalty, as more fully set**

**forth below.** In lieu of participating in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause in the land covered hereby, to elect to receive a sum of \$500.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, plus an excess royalty or overriding royalty (in addition to the normal 1/8th royalty as defined in 52 O.S. §87.1) in the maximum amount of 1/16th of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, completing, testing and equipping of any such well covered hereby; provided, however, in the event such owner's interest is burdened by a royalty, excess royalty, overriding royalty, production payment or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), all such burdens shall be charged against such excess royalty or overriding royalty of 1/16th of 8/8ths so that such excess royalty or overriding royalty shall be reduced by the amount of all such burdens and therefore, any owner electing this option shall deliver under this order a net revenue interest of 81.25% of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, with such net revenue interest being determined by deducting from such owner's share of production all existing royalties, excess or overriding royalties (including the one provided for immediately above) and other non-operating or non-cost bearing burdens; and provided, further, that such excess royalty or overriding royalty of 1/16th of 8/8ths, subject to the reduction provided for immediately above, and such net revenue interest of 81.25% of 8/8ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the units covered by the drilling rights or working interest owned by such owner and relinquished under this subparagraph bears to the entire number of mineral acres in such units; or

(iv) **\$200.00 per acre Cash Bonus plus a 1/5th Total Royalty, as more fully set**

**forth below.** In lieu of participating in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause in the land covered hereby, to elect to receive a sum of \$200.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, plus an excess royalty or overriding royalty (in addition to the

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normal 1/8th royalty as defined in 52 O.S. §87.1) in the maximum amount of 7.5% of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, completing, testing and equipping of any such well covered hereby; provided, however, in the event such owner's interest is burdened by a royalty, excess royalty, overriding royalty, production payment or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), all such burdens shall be charged against such excess royalty or overriding royalty of 7.5% of 8/8ths so that such excess royalty or overriding royalty shall be reduced by the amount of all such burdens; provided, further, in the event the drilling rights or working interest of such owner is subject to royalties, excess royalties, overriding royalties, production payments and other burdens on production totaling more than 1/5th of 8/8ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of 80% of 8/8ths of such production, then such owner may elect this option, but such owner shall have no right to receive and shall not receive the cash bonus described immediately above in this subparagraph, but shall receive a sum of \$1.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be; and only owners electing this option who are able to deliver a net revenue interest of 80% of 8/8ths of such production are entitled to receive and will receive the \$200.00 per net mineral acre as described above in this subparagraph; and provided, further, that such excess royalty or overriding royalty of 7.5% of 8/8ths, subject to the reduction provided for immediately above, and the net revenue interest delivered under this order by an owner electing this option shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the units covered by the drilling rights or working interest owned by such owner and relinquished under this subparagraph bears to the entire number of mineral acres in such units;

provided, however, if the drilling rights or working interest of any owner herein pooled is subject to royalties, excess royalties, overriding royalties, production payments and other burdens on production totaling more than 1/8th of 8/8ths but not more than 3/16ths of 8/8ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of 87.5% of 8/8ths of such production, but is able to deliver under this order a net revenue interest of 81.25% of 8/8ths of such production, then such owner may elect only the option in

subparagraph (i), (iii) or (iv), above; and provided, further, if the drilling rights or working interest of any owner herein pooled is subject to royalties, excess royalties, overriding royalties, production payments and other burdens on production totaling more than  $\frac{3}{16}$ ths of  $\frac{8}{8}$ ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of 81.25% of  $\frac{8}{8}$ ths of such production, then such owner may elect only the option in subparagraph (i) or (iv), above. Any cash bonus which becomes payable under this order by virtue of any election or constructive election made with regard to the proposed initial unit well involved herein shall be paid or tendered by SandRidge Exploration and Production, LLC and in connection with any such election or constructive election as to such initial unit well, SandRidge Exploration and Production, LLC shall acquire from the owners herein pooled all forced pooled acreage, being the interests, if any, relinquished hereunder by the owners herein pooled who elected or were deemed to have elected not to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved herein under the plan of development established in this order. In the event any owner elects or is deemed to have elected to do other than participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause, such owner shall be deemed to have relinquished under this order all of such owner's right, title, interest or claim in and to the separate common sources of supply in the drilling and spacing units involved herein in the land covered hereby (including the proposed initial unit well and any subsequent well or wells drilled under or otherwise covered by the plan of development of such units established in this order), except for the normal  $\frac{1}{8}$ th royalty as defined above and any other share in production to which such owner may be entitled by virtue of any election or constructive election hereunder. Subject to the proviso set forth immediately above (in regard to a limitation on the available options due to burdens on the drilling rights or working interest of any owner herein pooled), any owner whose drilling rights or working interest is herein pooled may make an election (covering such owner's full interest in the land involved herein as to the separate common sources of supply covered hereby) of any one or more of the applicable options set forth in subparagraphs (i), (ii), (iii) and (iv), above, and if such owner's election covers more than one of such applicable options, such owner shall specify in such election the portion of such owner's interest to be allocated to each such separate option so elected.

6.3 Election Period. Within the period of twenty (20) days after the date of this order, each owner whose drilling rights or working interest is herein pooled shall deliver to Operator at the address set forth in paragraph 10, below, a written election covering such

owner's full interest in the land involved herein as to the separate common sources of supply in the drilling and spacing units covered hereby of one or more of the applicable options set forth in subparagraphs (i), (ii), (iii) and (iv) of paragraph 6.2, above, subject to the terms, conditions and limitations set forth in such paragraph. A timely election shall be deemed to have been made if such owner on or before the last day of such 20-day period has sent such written election by hand delivery or telefacsimile transmittal to Operator at the address set forth in paragraph 10, below, or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Operator at the address set forth in paragraph 10, below.

7. Failure to Properly

Elect:

In the event any owner whose drilling rights or working interest is herein pooled shall fail timely and properly to elect in writing under paragraph 6.3, above, as to all or any portion of such owner's interest in the units involved herein, such owner as to such interest or the portion thereof not covered by a timely and proper written election shall be deemed to have elected not to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order and shall be deemed to have elected the following:

(a) The option contained in subparagraph (ii) of paragraph 6.2, above, if the drilling rights or working interest of such owner is subject to royalties, excess royalties, overriding royalties, production payments or other burdens on production which total not more than 1/8th of 8/8ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is able to deliver under this order a net revenue interest of 87.5% of 8/8ths of such production, or

(b) The option contained in subparagraph (iii) of said paragraph 6.2, if the drilling rights or working interest of such owner is subject to royalties, excess royalties, overriding royalties, production payments or other burdens on production which total more than 1/8th of 8/8ths but not more than 3/16ths of 8/8ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of 87.5% of 8/8ths of such production, but is able to deliver under this order a net revenue interest of 81.25% of 8/8ths of such production; or

(c) The option contained in subparagraph (iv) of said paragraph 6.2, if the drilling rights or working interest of such owner is subject to royalties, excess royalties, overriding royalties, production payments or other burdens on production which total more than 3/16ths of 8/8ths of the production of oil, casinghead gas, gas and gas condensate attributable to such drilling rights or working interest so that such owner is unable to deliver under this order a net revenue interest of 81.25% of 8/8ths of such production.

8. Well Costs - Initial

Unit Well and Default: 8.1 Well Costs - Initial Unit Well. For the purposes of this order, the sum of \$1,735,186.00 is the estimated cost of the proposed initial unit well covered hereby as a dry hole; and for the purposes of this order, the sum of \$3,350,857.00 is the estimated cost of such proposed initial unit well as a producing well; and in the event there is a dispute as to the well costs incurred in connection with the initial unit well involved herein or as to the work performed on such well, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with such well and the work performed on such well were both necessary and reasonable; and furthermore, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with any other well drilled subsequent to such initial unit well under the plan of development established in this order for the units involved herein and the work performed on any such subsequent well were both necessary and reasonable.

8.2 Default by Participating Owner. In the event an owner whose drilling rights or working interest is pooled herein elects under paragraph 6.3, above, to participate under subparagraph (i) of paragraph 6.2, above, but thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the cost of such proposed initial unit well under the plan of development of the units involved herein as provided in said subparagraph (i) of said paragraph 6.2, such owner shall be deemed to have withdrawn such owner's election to so participate and such owner (as to such owner's interest in the units involved herein or the portion thereof covered by such initial election to so participate) shall be deemed to have failed to have affirmatively elected any other option afforded in paragraph 6.2, above, and is thus subject to the provisions of paragraph 7, above; and in the event of such owner's failure or refusal to so pay or secure the payment of such well costs, any cash bonus which becomes payable under this order to such owner shall be paid or tendered within thirty-five (35) days after the last date on which such defaulting

owner under this order could have paid or made satisfactory arrangements for the payment of such well costs.

9. Payment of Cash Sums  
and Escrow Accounts

Therefor:

9.1 Payment of Cash Bonus. Any cash bonus which becomes payable under this order by virtue of any election or constructive election made with regard to the proposed initial unit well involved herein shall be paid or tendered within thirty-five (35) days after the date of this order, except as provided in paragraph 8.2, above, or unless the owner entitled to such funds cannot otherwise be paid as provided below.

9.2 Escrow Account Under 52 O.S. §551 et seq. If any payment of cash bonus due and owing under this order by virtue of any election or constructive election made with regard to the proposed initial unit well involved herein cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus shall be deposited (credited) into an escrow account within ninety (90) days after the date of this order as provided in 52 O.S. §551 et seq. and OAC 165:10-25-1 et seq. Any royalty payments or other payments due under this order to any such owner who cannot be located or who is unknown shall also be deposited (credited) into an escrow account established by the holder of such funds as provided in 52 O.S. §551 et seq. and OAC 165: 10-25-1 et seq. The responsibility for filing reports with the Commission as required under Oklahoma law and the Commission rules, as cited above, as to bonus, royalty or other payments deposited (credited) into any such escrow account shall be with the holder of such funds. Such funds deposited (credited) in any such escrow account shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such owner or until the holder of such funds relinquishes the funds to the Commission as required by law. It shall be the responsibility of Operator to notify all other holders of this provision and of the Commission rules, cited above, regarding unclaimed monies under pooling orders.

9.3 Other Escrow Account. If an owner whose drilling rights or working interest is pooled herein refuses the cash bonus or any other funds due hereunder or if such owner's interest in the units involved in this cause has a defect or cloud in the title thereto or if such owner cannot be paid the cash bonus or any other funds due hereunder for any reason other than the reasons set forth in paragraph 9.2, above, the holder of such cash bonus or other funds may deposit (credit) such cash bonus or other funds due such party into an internal escrow account established in the accounting

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records of such holder and such cash bonus or other funds shall be credited to such account for the benefit of such owner. Any funds deposited (credited) in any escrow account as described above shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner or such owner accepts such funds or until such title defect or cloud is cured or removed to the satisfaction of the party responsible or liable for and holding such funds.

10. Operator: SandRidge Exploration and Production, LLC is hereby designated as Operator under the plan of development established in this order for the separate common sources of supply in the drilling and spacing units covered hereby, including the proposed initial unit well and any subsequent well or wells drilled under or otherwise covered by such plan of development of such units, and all communications to such Operator shall be addressed as follows:

SandRidge Exploration and Production, LLC  
123 Robert S. Kerr Ave.  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 429-5500

SandRidge Exploration and Production, LLC has on file with the Commission a plugging agreement and appropriate security for such agreement.

11. Commencement of Operations: If operations on or in connection with the initial unit well under the plan of development established in this order have not been commenced as of the date of this order, Operator shall commence or cause to be commenced operations on or in connection with such initial unit well within one-hundred eighty (180) days from the date of this order and in any event, shall continue or cause to be continued operations on or in connection with such initial unit well with due diligence; otherwise, the provisions hereof shall be inoperative and this order shall terminate, unless the time for commencement of such operations on or in connection with such initial unit well is extended by an order of the Commission. Provided, however, in the event Operator fails timely to commence or cause to be commenced operations on or in connection with such initial unit well or to continue or cause to be continued operations on or in connection with such well with due diligence and this order terminates thereby, as described above, the obligation to pay any cash bonus which has become due and payable hereunder shall not terminate.

12. Operator's Lien: Operator, in addition to any other rights afforded Operator, shall have a lien on the mineral leasehold estate or rights owned by the other owners in the units involved herein and upon their shares of the production from any well covered hereby to the extent that costs incurred in the development of and the operations upon the drilling and spacing units involved herein are a charge against such interests. Such liens shall be separable as to each separate owner within each of the drilling and spacing units involved herein and shall remain liens until the owner or owners drilling or operating any well covered hereby have been paid such amounts due. The owner or owners drilling, or paying for the drilling, or for the operation of any well covered hereby for the benefit of all shall be entitled to production from any such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty, until the owner or owners drilling or operating any such well have been paid such amount due. No part of the production or proceeds accruing to any owner of a separate interest in any of the drilling and spacing units involved herein shall be applied toward payment of costs chargeable to any other interest in any such units.
13. Subsequent Wells: 13.1 If subsequent to the initial unit well involved herein, another well is proposed in the drilling and spacing units covered hereby under the plan of development established in this order, the party proposing such subsequent well shall send written notice of such proposed subsequent well to each party who participated as a working interest owner in the initial unit well covered hereby and in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under such plan of development. Any party, who participated under this order as a working interest owner in the initial unit well covered hereby and in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order, shall have the right to propose any subsequent well under the provisions of this section 13 as long as such party retains the right to participate as a working interest owner in such proposed subsequent well. The above-described written notice of such proposed subsequent well shall set out the address of the proposing party for purposes of making an election under this section 13, shall contain a brief description of such proposed subsequent well and shall include the estimated costs of such well as a dry hole and as a producing well. Such written notice of such proposed subsequent well shall not be sent to the applicable parties, as described herein, until all necessary authorization and permission to drill such proposed subsequent well have been obtained from the Commission. Each party entitled to the above-described written notice of such subsequent well shall have twenty (20) days after receipt of such written notice to make a written election to continue to

participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order as to such proposed subsequent well or in lieu thereof, to elect the one, and only one, applicable option set forth in subparagraphs (ii), (iii) and (iv) of paragraph 6.2, above, under which such party will obtain the highest cash bonus to which such party is entitled and deliver under this order the highest net revenue interest, given the burdens on the interest of such party. For example, if a party entitled to make a written election under this paragraph 13.1, owns an interest subject to burdens totaling not more than 1/8th of 8/8ths, such party may only elect, in lieu of continuing to participate in a proposed subsequent well, the option set forth in subparagraph (ii) of paragraph 6.2, above; if such party owns an interest subject to burdens totaling more than 1/8th of 8/8ths but not more than 3/16ths of 8/8ths, such party may only elect, in lieu of continuing to participate in a proposed subsequent well, the option set forth in subparagraph (iii) of paragraph 6.2, above; and if such party owns an interest subject to burdens totaling more than 3/16ths of 8/8ths, such party may only elect, in lieu of continuing to participate in a proposed subsequent well, the option set forth in paragraph (iv) of paragraph 6.2, above. A timely election under this paragraph shall be deemed to have been made if such party on or before the last day of such 20-day period has sent such written election by hand delivery or telefacsimile transmittal to the proposing party at the address set forth in the above-described written notice of such subsequent well and to Operator, as described in paragraph 10, above, at the address set forth in said paragraph 10, or has had such written election duly postmarked and has placed such written election in the United States Mail, first class, postage prepaid, duly addressed to such proposing party at the address set forth in such notice and to Operator, as described in paragraph 10, above, at the address set forth in said paragraph 10. The only parties whose interests are pooled herein entitled to make any elections as to such proposed subsequent well shall be the parties who participated as working interest owners in the initial unit well covered hereby and in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order. Any party who did not participate as a working interest owner in the initial unit well covered hereby and in the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order shall have no right to make any further election as to such subsequent well or any further subsequent well or wells drilled under or otherwise covered by such plan of development, with such party retaining any share in production from any such subsequent well or wells to which such party may be entitled by virtue of any prior election or constructive election under this order, and any such party who elected or was deemed to have elected, in lieu of so participating, an option under this order containing a cash bonus shall not receive any additional cash bonus in regard to any such subsequent well or wells.

13.2 In the event a party who is entitled to make a written election as to a subsequent well as described in paragraph 13.1, above, shall fail timely and properly to elect in writing under such paragraph as to all or any portion of such owner's interest in the drilling and spacing units involved herein, such owner as to such interest or the portion thereof not covered by a timely and proper written election shall be deemed to have elected the one, and only one, applicable option for such owner, as described in paragraph 13.1, above, given the burdens on such owner's interest, as set forth in subparagraphs (ii), (iii) and (iv) of paragraph 6.2., above. In the event a party who is entitled to make a written election as to a subsequent well as described in paragraph 13.1, above, elects or is deemed to have elected not to continue to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order, such owner shall be deemed to have relinquished under this order to SandRidge Exploration and Production, LLC if participating as a working interest owner in such subsequent well or to the party proposing such subsequent well if SandRidge Exploration and Production, LLC is not participating as a working interest owner in such subsequent well all of such owner's right, title, interest or claim in and to the separate common sources of supply in the drilling and spacing units involved herein as to such proposed subsequent well and any further subsequent well or wells drilled under or otherwise covered by such plan of development, except for the normal 1/8th royalty as defined in paragraph 6.2, above, and any other share in production to which such owner may be entitled by virtue of any election or constructive election hereunder. A party's election or constructive election not to continue to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved herein under the plan of development established in this order as to a subsequent well (and any further subsequent well or wells) shall not divest or otherwise affect in any manner the rights and working interest of such party in any prior well or wells drilled under or otherwise covered by such plan of development in which such party participated as a working interest owner. Any party entitled to make a written election as to a proposed subsequent well as described herein, who elects as to the proposed subsequent well to continue to participate, and who perfects such election under this section 13 to continue to so participate, in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order shall participate as a working interest owner in such proposed subsequent well and shall retain the right to participate as a working interest owner in any further subsequent well or wells drilled under or otherwise covered by such plan of development. Each well subsequent to the initial unit well involved herein shall be handled in a manner similar to the first subsequent well, all as described in this section 13.

13.3 Any party entitled to make a written election as to a subsequent well who elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order shall thereby agree to pay such party's proportionate part of the actual cost of such proposed subsequent well and shall pay to Operator such owner's proportionate part of the estimated cost of such proposed subsequent well, or in lieu of such payment, shall furnish to Operator security satisfactory to Operator for the payment thereof, within twenty-five (25) days from the date of receipt of the written notice of such proposed subsequent well as described in this section 13, and upon such timely payment or furnishing of such satisfactory security, such party's election to continue to participate as to such subsequent well shall be perfected. In the event an owner entitled to make a written election as to a subsequent well elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order, but thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the estimated cost of such proposed subsequent well within the time period and in the manner described above, such owner shall be deemed to have withdrawn such owner's election to continue to so participate and such owner shall be deemed to have elected the one, and only one, applicable option for such owner, as described in paragraph 13.1, above, given the burdens on such owner's interest, as set forth in subparagraphs (ii), (iii) and (iv) of paragraph 6.2, above, in lieu of continuing to participate as to such proposed subsequent well and any further subsequent well or wells drilled under or otherwise covered by such plan of development; and in the event of such owner's failure or refusal to so pay or secure the payment of such estimated well costs as to such proposed subsequent well, any cash bonus which becomes payable under this order to such defaulting owner shall be paid or tendered within thirty-five (35) days after the last date on which such defaulting owner under this order could have paid or made satisfactory arrangements for the payment of such estimated well costs as to such proposed subsequent well. In the event there is a dispute as to the well costs incurred in connection with or as to the work performed on any subsequent well drilled under or otherwise covered by the plan of development established in this order after the work has been done on such well, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with such subsequent well and the work performed on such well were both necessary and reasonable.

13.4 Except as provided in paragraph 13.3, above, or unless the owner entitled to such funds cannot otherwise be paid as provided in paragraphs 9.2 and 9.3, above, any cash bonus which becomes payable under this order by virtue of any election or constructive election under this section 13 as to a subsequent well shall be paid or tendered within thirty-five (35) days after the date of receipt of the written notice of the proposed subsequent well by the party electing or being deemed to have elected such cash bonus.

13.5 As to any subsequent well proposed under this section 13, Operator shall commence or cause to be commenced operations on or in connection with such subsequent well within one-hundred eighty (180) days from the date of the written notice proposing such subsequent well and Operator shall continue or cause to be continued such operations on or in connection with such subsequent well with due diligence. If such operations on or in connection with such proposed subsequent well are not commenced or caused to be commenced within the above-described 180-day period, then the proposal of such subsequent well and the elections of the parties as to such proposed subsequent well shall expire and such parties shall be in the same position they were in immediately prior to the written notice of such subsequent well being sent; and in such event, the rights acquired from the parties electing as to the proposed subsequent well not to continue to participate in the working interest in and the development of the separate common sources of supply in the drilling and spacing units involved in this cause under the plan of development established in this order shall be relinquished by Operator and any other acquiring party and such relinquished rights shall revert in such parties who elected not to continue to so participate. Failure timely to commence or cause to be commenced operations on or in connection with any subsequent well under this section 13 shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled prior thereto under the plan of development established in this order and shall not terminate such plan of development.

13.6 A "subsequent well" for purposes of this section 13 shall not include or cover any sidetrack operation in the initial unit well or any subsequent well covered hereby, and shall not include or cover any wellbore that is drilled as a replacement or substitute wellbore for the initial unit well or any subsequent well covered hereby. No parties shall have the right to make any subsequent elections as to any such sidetrack operation or such replacement or substitute wellbore.

14. Special Findings: Applicant exercised due diligence to locate each of the parties named as a respondent in this cause. Furthermore, Applicant has made a bona fide effort to reach an agreement with each respondent in this cause as to how the units involved in this cause would be developed and Applicant has been unable to reach an agreement with any owner named and described as a respondent in this cause which would allow the dismissal of any such owner from this proceeding. SandRidge Exploration and Production, LLC is the owner of the right to drill a well into, to produce hydrocarbons from and to appropriate production from the separate common sources of supply in the units involved herein by virtue of the ownership of rights and interests in valid and subsisting oil and gas leases covering the lands covered hereby.
15. Mailing of Order and Affidavit in Connection Therewith: Applicant, or Applicant's attorney, shall file an affidavit with the Commission within ten (10) days from the date of this order stating that a true and correct copy of this order was mailed within three (3) days from the date of this order to each owner whose interest is pooled by this order and who could be served. The name and address of each such owner shall be set out in the affidavit, if known.
16. Reasons for Relief Granted: In order to avoid the drilling of unnecessary wells and to protect the correlative rights of all owners with respect to the separate common sources of supply involved herein, the owners of the right to drill who have not heretofore reached an agreement with respect to the drilling and developing of the units covered hereby should be required to pool their interests and develop such units as a group or unit, upon the terms and conditions set out in this order, all of which terms and conditions are found hereby, after consideration of the evidence presented in this cause, to be supported by such evidence and to be just and reasonable and such as will afford each owner in each such unit the opportunity to recover or receive, without unnecessary expense, each such owner's just and fair share of the production from such unit. In particular, the fair market value of drilling rights and working interest in the land involved herein and the options based thereon as recommended by Applicant are supported by the evidence presented in this cause.

Order  
SandRidge Exploration and Production, LLC  
Cause CD No. 201202237

The relief requested herein is necessary to prevent or assist in preventing the various types of waste prohibited by law and to protect or assist in protecting correlative rights, and such requested relief, as set forth above, should be granted in the manner set forth above, and IT IS SO ORDERED.

CORPORATION COMMISSION OF OKLAHOMA

*Dana L. Murphy*

DANA L. MURPHY, Chair

*Bob Anthony*

BOB ANTHONY, Vice Chairman

*Patrice Douglas*

PATRICE DOUGLAS, Commissioner

DONE AND PERFORMED this 7 day of May, 2012.

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 recommendations of the Administrative Law Judge.

*Michael Morris*

Administrative Law Judge

5-3-12

Date

*Michael Foster*

Reviewer

3 May 2012

Date

Approved as to form and content.

*John R. Reeves*

John R. Reeves dw/ahst5801971ord

Exhibit "A" - Respondent List  
SandRidge Exploration and Production, LLC  
Cause CD No. 201202237

**Exhibit "A"**

**Respondents - Known Addresses:**

1. Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154
2. Chesapeake Exploration, L.L.C.  
P.O. Box 18496  
Oklahoma City, OK 73154

**Respondents - Unknown Addresses:**

None

**Parties Named for Curative Purposes Only:**

None

Each of the above-named parties that is a partnership, corporation or other association has been made a respondent if such entity continues to have legal existence, and if any such entity is dissolved, then the unknown successors, trustees and assigns, both immediate and remote, of such dissolved entity have been made respondents herein.

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