

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

APPLICANT: FRACTAL OIL & GAS, LLC)
) CAUSE CD NO.
RELIEF GRANTED: POOLING) 201202425
)
LAND COVERED: NE/4 SE/4 OF SECTION 18,) ORDER NO.
 TOWNSHIP 6 SOUTH, RANGE 2) **598612**
 EAST, LOVE COUNTY,)
 OKLAHOMA)

ORDER OF THE COMMISSION

This Cause came on for hearing before William Peterson, Administrative Law Judge for the Corporation Commission of Oklahoma, on May 14, 2012, at 8:30 a.m., in the Commission's Courtroom, Jim Thorpe Office Building, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission.

J. Fred Gist, Attorney, appeared for the Applicant, Fractal Oil and Gas, LLC.

The Administrative Law Judge heard the Cause as an uncontested matter. The Administrative Law Judge announced his report to the Commission, recommending that the Application be granted, which report has been considered and the Commission therefore finds as follows:

FINDINGS

1. That this is the application of Fractal Oil and Gas, LLC for an order pooling the interests, designating an operator, providing for the development of the unit, and adjudicating the rights and equities of oil and gas owners in the Deese and Dornick Hills common sources of supply underlying the 40-acre drilling and spacing unit comprised of the NE/4 SE/4 of Section 18, Township 6 South, Range 2 East, Love County, Oklahoma.

Amendment: At the time of the hearing, the Application was dismissed as to the following Respondents: 6. Jamie D. Brown; and 8. Jody Brown.

The Respondents who are subject to this order are shown on Exhibit "A" attached hereto and made a part hereof.

2. That the Commission has jurisdiction of the subject matter herein and of the persons interested therein and has jurisdiction to enter this Order 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 Administrative Law Judge has examined the notices by publication, the publisher's affidavits of

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publication thereof, and the affidavits of mailing and the Administrative Law Judge conducted a judicial and adjudicative 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 sources at hand. The Commission hereby approves the publication service given herein as meeting the statutory requirements, rules of the Commission and minimum standards of the 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 land described in Paragraph 1 above is a drilling and spacing unit for the common sources of supply also named in Paragraph 1, all heretofore ordered by the Commission by Order No. 598225.

4. That Applicant, the owner of the right to drill a well on said drilling and spacing unit and to develop and produce said common sources of supply, has not agreed with all of the other such owners in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common sources of supply as a unit, and the Commission should issue an order requiring such owners to pool and develop the drilling and spacing units and common sources of supply covered hereby on a unit basis. BBR Oil Corporation, which owns through contract with Applicant the right to drill in this unit and is a properly bonded operator, should be designated as operator under this order.

5. That Applicant proposes to develop said unit and the common sources of supply therefore as a unit. As its initial development operation, Applicant proposes to drill a well in said unit, and may further develop this unit by the drilling of an additional well or wells thereon and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop each of the units and common sources of supply covered hereby as a unit, upon the terms and conditions set out in "Order" below, all of which are found hereby, after a consideration of the substantial evidence in this cause, to be just and reasonable and will afford each owner in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production from each such 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.

ORDER

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

1. That the Applicant and Operator propose to develop the Deese and Dornick Hills common sources of supply underlying the 40-acre drilling and spacing unit comprised of the NE/4 SE/4 of Section 18, Township 6 South, Range 2 East, Love County, Oklahoma, and the

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rights and equities of all oil and gas owners in said units and common sources of supply covered hereby are pooled, adjudicated and determined.

2. a. That costs of the initial well are:

Completed as a dry hole:	\$263,600.
Total completed well costs:	\$458,350.

- b. **\$250 per acre cash bonus, with a 1/8th total royalty, as set forth below, delivering an 87.5% net revenue interest.** That \$250 per acre cash bonus is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development by paying such owner's proportionate part of the cost thereof; such cash bonus, when paid by the Applicant, as set out in this Order, is satisfaction in full for all rights and interests of such owner in the drilling and spacing unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., §87.1(e).
- c. **\$200 per acre cash bonus, with a 3/16ths total royalty, as set forth below, delivering an 81.25% net revenue interest.** That \$200 per acre cash bonus, plus an excess or overriding royalty of 1/16th of 8/8ths, is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development by paying such owner's proportionate part of the cost thereof; such cash bonus plus overriding or excess royalty, when paid by the Applicant, as set out in this Order, is satisfaction in full for all rights and interests of such owner in the drilling and spacing unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, as defined in 52 O.S., §87.1(e).

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.

PROVIDED, further, in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty, or other payments out of production which create a burden on such interest in excess of the burdens set out in Paragraph 2b above, the owner of any such interest shall not be entitled to the option provided in Paragraph 2b above, but shall be required to either participate, or to accept the cash bonus plus additional royalty provided in Paragraph 2c above.

3. That each owner subject hereto may choose any of the following elections as to all or any part of the interest of such owner in the unit and must give notice as to which of the elections stated in Paragraphs 3a, 3b or 3c below such owner accepts:

- a. To participate in the development of the unit and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of such development and by paying, as set out herein, to Applicant, Fractal Oil and Gas, LLC, such owner's proportionate part of the estimated completed for production cost of the proposed well as set out in Paragraph 2a above, or by securing or furnishing security for such payment satisfactory to the Applicant; in all events, such owner's cost in said well shall not exceed its proportionate part of the actual or the reasonable cost thereof which shall be determined by the Commission in the event there is a dispute as to such costs; the payment of such owner's proportionate part of the estimated completed for production costs of said well, or the securing of such costs, or the furnishing of security therefor, as aforesaid, shall be accomplished within twenty-five (25) days from the date of this order; such owner's proportionate part of the costs of, and of the production from, such well and unit, to be in proportion to the number of acres such owner has in the 160-acre unit.
- b. To receive the cash bonus as set out in Paragraph 2b above, which cash bonus shall be paid or tendered by Applicant, Fractal Oil and Gas, LLC, if same can be paid or tendered, within 35 days from the date of this Order.
- c. To receive the cash bonus plus excess royalty as set out in Paragraph 2c above, which cash bonus shall be paid or tendered by Applicant, Fractal Oil and Gas, LLC, if same can be paid or tendered, within 35 days from the date of this Order.

IF ANY PAYMENT OF BONUS DUE AND OWING UNDER THIS ORDER CANNOT BE MADE because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within 90 days after this order and shall not be commingled with any funds of the Applicant. Any royalty payments or other payments due to such person shall be paid into an interest bearing escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission 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 pooling orders. If any payment of bonus due and owing under this order cannot be made for any other reason, including a title dispute, then such bonus shall be paid into an escrow account and shall not be commingled with any funds of the Applicant. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds.

4. That each owner of the right to drill in said drilling and spacing unit to said common sources of supply covered hereby, who has not agreed to develop said unit as a unit, other than the Applicant, may elect any of the alternatives set out in Paragraph 3 above as to all or any part of the interest which such party owns, said election to be made to Fractal Oil and Gas, LLC, in writing, within 20 days from the date of this order; in the event any owner fails to elect within the time and in the manner as set out above which of the alternatives set forth in Paragraph 3 above, any such owner accepts, then such owner shall be deemed to have elected to receive the cash bonus Paragraph 2b above, and qualified therein in the event an owner's interest is excessively burdened; in the event any owner elects to do other than participate in said well by paying his pro rata share of the costs thereof, or fails to make any election provided above, such owner shall be deemed to have relinquished unto Applicant, Fractal Oil and Gas, LLC, all of such owner's right, title, interest, or claim in and to the drilling and spacing unit, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election or deemed election hereunder.

5. Only those owners electing to participate in the initial well, and complying with this order, will be allowed to participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected any option contained herein other than participation in the initial well, shall receive no additional cash consideration for subsequent wells. In the event any participating owner 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, which notice shall be in writing by certified mail, and shall be accompanied by an AFE which sets forth the anticipated cost of the well and the well location, and said owners shall have 20 days from the receipt of said notice to elect whether to participate in said subsequent well, or to receive the cash bonus provided in Paragraph 2b above, or to receive the owner's share of the excess or overriding royalty provided in Paragraph 2c above, all as qualified therein in the event such owner's interest is excessively burdened. Each Owner electing to participate must pay to Fractal Oil and Gas, LLC such owner's proportionate share of the estimated completed for production costs within 25 days from the receipt of notice from said owner. 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 thereafter receive the owner's share of the cash bonus provided for in Paragraph 2b above, as qualified therein in the event an owner's interest is excessively burdened. 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 on the drilling and spacing unit covered hereby and shall be deemed to have forfeited his right to

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participate in any additional wells. The Oklahoma Corporation Commission shall retain jurisdiction to determine the reasonableness of actual drilling and completion costs of subsequent wells. In the event operations for the proposed well are not commenced within 180 days after the date of the notice, then the proposal shall terminate and new notice must be resubmitted. All wells drilled under the terms of this paragraph shall be operated by BBR Oil Corporation, unless the Commission orders otherwise.

The term subsequent well for purposes of this paragraph shall not be deemed to include any side-tracking and/or directional drilling 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.

Furthermore, a subsequent well may not be proposed under the terms of this paragraph until the Corporation Commission has issued all necessary final orders authorizing increased density and/or location exceptions required for the drilling and/or production of such a subsequent well.

6. That Operator, in addition to any other rights provided herein, shall have a lien, as set out in 52 O.S., §87.1(e) on the interest of any owner, subject to this order, who has elected to participate in the well covered hereby by paying such owner's proportionate part of the costs thereof; provided, however, that in the event an owner elects to participate in said well by paying his proportionate part of the costs thereof and fails or refuses to pay or to secure the payment of such owner's proportionate part of the completed for production cost as set out in Paragraph 2a above, or fails or refuses to pay or make an arrangement with the Applicant for the payment thereof, all within the periods of time as prescribed in this order, then such owner shall be deemed to have elected to receive the cash bonus as set out in Paragraph 2b above, and qualified therein in the event an owner's interest is excessively burdened.

Such owner shall be deemed to have relinquished unto Applicant, Fractal Oil and Gas, LLC, all of such owner's right, title, interest, or claim in and to the drilling and spacing unit, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder. Thereupon, the payment of such cash bonus shall be made by Fractal Oil and Gas, LLC, 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.

7. That: BBR Oil Corporation
10 West Main St., Suite 212
Ardmore, OK 73401

the owner of the right to drill, is designated operator of the initial well and common source of supply covered hereby; however, **ALL ELECTIONS, AS REQUIRED IN THIS ORDER, MUST BE COMMUNICATED IN WRITING TO:**

**FRACTAL OIL AND GAS, LLC
330 West Gray
Norman, Oklahoma 73069**

In addition, all owners who elect timely to participate in the development of the units covered hereby, pursuant to Ordering Paragraph 3a above, shall pay such owner's proportionate share of the estimated completed for production costs to:

**FRACTAL OIL AND GAS, LLC
330 West Gray
Norman, Oklahoma 73069**

8. That operator, BBR Oil Corporation, must commence operations for the drilling or other operations with respect to the initial well covered hereby within 180 days from the date of this order and 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.

9. 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

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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

Dana L. Murphy

DANA L. MURPHY, Chair

Bob Anthony

BOB ANTHONY, Vice Chairman

Patrice Douglas

PATRICE DOUGLAS, Commissioner

DONE AND PERFORMED this 11 day of June, 2012.

BY ORDER OF THE COMMISSION:

Peggy Mitchell

PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

Approved:

William L. Stinson

Administrative Law Judge

06/04/12
Date

Michael D. Norris

Reviewer

6-6-12
Date

Order approved as to form:

J. Fred Gist

J. Fred Gist

EXHIBIT "A"
FRACTAL OIL & GAS, LLC
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NE/4 SE/4 OF SECTION 18, TOWNSHIP 6 SOUTH, RANGE 2 EAST
LOVE COUNTY, OKLAHOMA

RESPONDENTS WITH KNOWN ADDRESSES:

- | | |
|---|--|
| 1. Clifford Johnson
c/o Wanda Johnson Beeler
1601 Indian Hills Dr
Big Spring, TX 79720 | 11. Mary Johnson
c/o Wanda Johnson Beeler
1601 Indian Hills Dr
Big Spring, TX 79720 |
| 2. Clyde Orville Baker
1732 Cherokee Box 97
Healdton, OK 73438 | 12. MCBA Van Eaton Partnership
P.O. Box 1356
Ardmore, OK 74302 |
| 3. Darryl Glen Johnson
c/o Early B. Johnson
735 Newton Street
Gretna, LA 70053 | 13. PEC Minerals, LP, formerly
Sempra Energy Production Company
formerly Sempra Oil & Gas,
formerly Pacific Enterprises ABC
Corporation
14860 Montford Drive, # 209
Dallas, TX 75254 |
| 4. Dunlap & Co.
P.O. Box 1888
Ardmore, OK 74302 | 14. Shirley Ann Cryer
2978 Cardinal Road
Ardmore, OK 73401 |
| 5. Earlene Fuller Hamilton
aka Earlene Hamilton
5340 W 39 th Street
Tulsa, OK 74107 | 15. Unknown heirs, devisees and assigns of
the Estate of Bessie Shelton, formerly
Baker
c/o Clyde Orville Baker
1732 Cherokee Box 97
Healdton, OK 73438 |
| 6. DISMISSED | 16. Unknown heirs, devisees and assigns of
the Estate of Phillip Monroe Lang,
c/o Greg Lang
516 Doucette Street
Pampa, TX 79065 |
| 7. Jean Velasquez
4200 Vance Avenue
Amarillo, TX 79110 | 17. Unknown heirs, devisees and assigns of
the Estate of Dollie Beck Johnson,
c/o Wanda Johnson Beeler
1601 Indian Hills Dr
Big Spring, TX 79720 |
| 8. DISMISSED | 18. Unknown heirs, devisees and assigns of
the Estate of Dollie Beck Johnson,
c/o Early B. Johnson
735 Newton Street
Gretna, LA 70053 |
| 9. Laverne Johnson
c/o Wanda Johnson Beeler
1601 Indian Hills Dr.
Big Spring, TX 79720 | |
| 10. Lee Brown
5 Seneca Drive
Shawnee, OK 74801 | |

19. Unknown heirs, devisees and assigns of the Estate of Videll Brown,
c/o Jody Brown
1301 7th NW
Ardmore, OK 73401
20. Unknown heirs, devisees and assigns of the Estate of G. L. Beck, aka Greenlee L. Beck, c/o Clyde Orville Baker
1732 Cherokee Box 97
Healdton, OK 73438
21. Unknown heirs, devisees and assigns of the Estate of Louis T. Beck, aka Louis Beck,
aka Lewis T. Beck,
c/o Clyde Orville Baker
1732 Cherokee Box 97
Healdton, OK 73438
22. Valorie J. Brown
409 N Washington
Ardmore, OK 73401
23. Wayne Johnson
c/o Early B. Johnson
735 Newton Street
Gretna, LA 70053

and, if any of the above-named individuals are deceased, the unknown heirs, executors, administrators, devisees, trustees, successor trustees and assigns, immediate and remote, of any such deceased person; and if any of the above-named corporations or companies are no longer in existence, then the unknown successors and assigns of any such corporation or company.

RESPONDENTS WITH UNKNOWN ADDRESSES:

None

RESPONDENTS NAMED FOR CURATIVE PURPOSES:

24. Maurine Graves, Trustee of the Maurine Graves Trust u/t/a dated 2/18/1993
1407 Windsor Drive
Ardmore, OK 73401