

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: MJM RESOURCES, INC.)
)
RELIEF SOUGHT: POOLING) Cause CD No. 930168643
)
LEGAL DESCRIPTION: SECTION 24, TOWNSHIP) ORDER NO. 376241
 28 NORTH, RANGE 16) 376241
 WEST, WOODS COUNTY,)
 OKLAHOMA)

ORDER OF THE COMMISSION

This cause came on for hearing before the undersigned Administrative Law Judge for the Corporation Commission of the State of Oklahoma, on the 23rd day of August, 1993, at 8:30 a.m. in the Commission Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony, and reporting findings and recommendations to the Commission.

Roger A. Grove, Attorney, appeared for the Applicant, MJM Resources, Inc., and Ben Jackson, Deputy General Counsel for Conservation, filed notice of appearance for the Commission.

The Administrative Law Judge heard the cause and filed a Report recommending that the Application be granted, which Report and recommendation are adopted by the Commission.

The Commission, therefore, finds as follows:

FINDINGS

1. That this is the application of MJM Resources, Inc. for an order pooling the oil and gas interests, designating the Applicant or some other party as operator, and adjudicating the rights and equities of oil and gas owners in the Brown Dolomite, Oread, Toronto, Heebner, Douglas, Tonkawa, Avant, Lansing-Kansas City, Dewey, Checkerboard, Oswego, Cherokee and Mississippi common sources of supply underlying the 640-acre drilling and spacing unit consisting of Section 24, Township 28 North, Range 16 West, Woods County, Oklahoma.

2. That the Administrative Law Judge conducted an adjudicative inquiry into the sufficiency of the Applicant's search for the identity and whereabouts of those respondents whose addresses are unknown for service of process and could not be ascertained with due diligence. Upon an examination of the record and proof of publication, the Administrative Law Judge found the process to be proper. The Commission finds that the Applicant conducted a meaningful search of all reasonably available sources at hand to ascertain the whereabouts of those entitled to notice but who were served solely by publication. Notice has been given as required and the Commission has jurisdiction of the subject matter and the parties.

3. That at the time of the hearing, the Applicant requested and was permitted to amend its application as follows: None.

4. The Oklahoma Corporation Commission has heretofore, by Order Nos. 141751 and 100039, established the lands described in the caption hereof as a 640-acre drilling and spacing unit for the Brown Dolomite, Oread, Toronto, Heebner, Douglas, Tonkawa, Avant, Lansing-Kansas City, Dewey, Checkerboard, Oswego, Cherokee and Mississippi common sources of supply.

5. That the Applicant is the owner of the right to drill into the common sources of supply named hereinabove and has exercised due diligence to locate each of the respondents subject to this application; that a bona fide effort was made to reach an agreement with each respondent and that the Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interest and to develop the drilling and spacing unit and common sources of supply as a unit.

6. The Applicant proposes to develop said common sources of supply as a unit and has proposed the drilling of an initial well thereon and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop the common sources of supply named herein, upon the terms and conditions set forth below, within the "Order" portion hereof, all of which are found hereby, after consideration of the substantial evidence presented 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 its just and fair share of all hydrocarbon substances produced therefrom. The Applicant offered testimony which established that the terms offered in lieu of participation were indicative of values associated with the acquisition of rights to drill not only the proposed well, but also any well or wells drilled subsequent thereto on the described unit.

7. 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.

8. That said Applicant, MJM Resources, Inc., is the owner of the right to drill into the common sources of supply named hereinabove and has furnished the Oklahoma Corporation Commission with a Plugging Agreement and an appropriate Financial Statement, Surety Bond, Irrevocable Letter of Credit, Cash Deposit or Negotiable Instrument as required by law and the rules of the Commission.

ORDER

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

1. Relief Granted: That the Applicant, MJM Resources, Inc., proposes to develop the 640-acre drilling and spacing unit consisting of Section 24, Township 28 North, Range 16 West, Woods County, Oklahoma, a drilling and spacing unit for the Brown Dolomite, Oread, Toronto, Heebner, Douglas, Tonkawa, Avant, Lansing-Kansas City, Dewey, Checkerboard, Oswego, Cherokee and Mississippi common sources of supply, by the drilling of a well or wells thereon, and to develop the common sources of supply therefore as a unit and the rights and equities of all oil and gas owners in the unit and common sources of supply covered hereby are pooled, adjudicated and determined.

2a. Estimated Costs of Initial Well: That the estimated well costs for the initial well proposed hereunder are:

Completed as a dry hole - \$100,500.00
Completed for production - \$251,200.00

b. Cash Consideration in Lieu of Participation: That a cash bonus of \$30.00 per mineral acre owned by each such owner, plus an overriding or excess royalty of 2.5% of 8/8 on oil, casinghead gas, natural gas, and natural gas condensate, produced from any well drilled under this Order, same to be delivered into the lease tank or into the pipe line to which said well(s) is connected, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, testing, completing, equipping, operating, and producing of any such well(s) covered hereby less its proportionate share of post production costs from the wellhead (to include marketing and transportation costs), is a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said development of the unit and common sources of supply by paying such owner's proportionate part of the costs thereof; such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the initial well proposed hereunder, in any subsequent wells, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e).

c. Consideration In Lieu of Cash as Alternative to Participation: That a proportionate share of an overriding or excess royalty of 7.5% of 8/8 on oil, casinghead gas, natural gas, and natural gas condensate, produced from any well drilled under this Order, same to be delivered into the lease tank or into the pipe line to which said well(s) is connected, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, testing, completing, equipping, operating, and producing of any such well(s) covered hereby less its proportionate share of post production costs from the wellhead (to include marketing and transportation costs), is also a fair, reasonable and equitable consideration to be tendered unto each owner who elects not to participate in said development of the unit and common sources of supply by paying such owner's proportionate part of the costs thereof; such owner's proportionate share of said overriding or excess royalty is satisfaction in full for all rights and interests of such owner in the initial well proposed hereunder, in any subsequent wells, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e).

PROVIDED, 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 defined above, then such excess royalty, overriding royalty, or other payments out of production shall be charged against the overriding or excess royalty as hereinabove set forth in paragraphs 2b and 2c, and the 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 hereinabove, the owner of any such interest shall not be entitled to the option provided in said paragraph 2b above, but shall be required to either participate in said development, as described below, or to accept the owner's proportionate share of the overriding or excess royalty provided in paragraph 2c above.

3. Available Elections: That any owner of the right to drill on said

drilling and spacing unit who has not agreed with the applicant to develop said unit and common sources of supply is accorded the following elections:

a. Participate: To participate in the development of the unit and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of the development of the unit and common sources of supply covered hereby and, as to the initial well proposed hereunder, by paying, as set out herein, to Operator such owner's proportionate part of the estimated completed for production cost thereof, as set out in paragraph 2a above, or by securing or furnishing security for such payment satisfactory to the Operator; in all events, such owner's cost 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 cost, or the securing of such costs, or the furnishing of security therefor, as aforesaid, shall be accomplished within twenty (20) days from the date of this order, such owner's proportionate part of the costs of, and of the production from, any wells drilled hereunder to be in proportion to the number of acres such owner has in the unit; further, as to such participating owner and the oil and gas interest owned by such owner, the Commission retains continuing jurisdiction hereunder for the purpose of issuance of orders necessary to facilitate further development of the unit and common sources of supply covered hereby.

PROVIDED, however, that in the event an owner elects to participate in the initial well proposed to be drilled hereunder 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 forth 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 the cash bonus plus overriding or excess royalty as set out in paragraph 2b above, unless the interest of said owner is burdened by more than 15%, in which case said owner shall be deemed to have accepted the consideration in lieu of cash as set forth in paragraph 2c above, and in either case said owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in and to the initial well, and any well drilled subsequent thereto, and in the unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder. Thereupon, the payment of such cash bonus shall be made by Applicant within 30 days after the last day of 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.

b. Cash Consideration in Lieu of Participation: To receive the cash bonus plus such owner's proportionate share of the overriding or excess royalty as set out in paragraph 2b above, which cash bonus shall be paid or tendered, if same can be paid or tendered, within thirty (30) days from the date of this Order. Any owner electing this alternative shall be deemed to have relinquished all of such owner's working interest and right to drill in the unit and common sources of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant unless a specific paragraph is included in this order providing for a proportionate sharing among the participating parties of such interest.

c. Consideration in Lieu of Cash as Alternative to Participation: To receive in lieu of the cash bonus plus such owner's proportionate share of the overriding or excess royalty as set out in paragraph 2b above, such owner's proportionate share of the overriding or excess royalty as set out in paragraph 2c above. Any owner electing this alternative shall be deemed to have relinquished all of such owner's working interest and right to drill in the unit and common sources of supply covered hereby as to the initial well proposed to be drilled hereunder and as to any wells drilled subsequent thereto. The relinquished interest is to be owned by the Applicant unless a specific paragraph is included in this order providing for a proportionate sharing among the participating parties of such interest.

PROVIDED, 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 defined above, then such excess royalty, overriding royalty, or other payments out of production shall be charged against the overriding or excess royalty as hereinabove set forth in paragraphs 2b and 2c, and the 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 hereinabove, the owner of any such interest shall not be entitled to the option provided in said paragraph 2b above, but shall be required to

either participate in said development, as described above, or to accept the owner's proportionate share of the overriding or excess royalty provided in paragraph 2c above.

4. Time and Manner of Election: 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 the said unit and said common sources of supply, other than the Applicant, shall elect which of the alternatives set out in paragraph 3 above such owner accepts, as to all or any part of the interest of such owner in the unit, said election to be made in writing within 15 days from the date of this Order to the party and at the address set forth in paragraph 9 below.

5. 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 3 above any such owner accepts, then such owner shall be deemed to have elected the cash bonus plus overriding or excess royalty as set out in paragraphs 2b above, unless the interest of said owner is burdened by more than 15%, in which case said owner shall be deemed to have accepted the consideration in lieu of cash as set forth in paragraph 2c above. In the event any owner elects to do other than participate in the initial well proposed to be drilled hereunder by paying its pro rata share of the costs thereof, or fails to make an election provided above, such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest, or claim in and to the such well, and any well drilled subsequent thereto, and in the unit and common sources of supply covered hereby, 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.

6. Participation in Subsequent Wells and Development: Only those owners electing to participate in the initial well drilled hereunder will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common source of supply covered hereby. Owners electing or deemed to have elected the cash consideration provided in paragraph 2b above for the initial well, shall thereafter receive no additional cash consideration for subsequent wells, but shall receive the royalty provided for therein for subsequent wells.

In the event applicant proposes the drilling of a subsequent well, it shall notify those owners who elected to participate in the initial well and all subsequent wells drilled hereunder, of its proposal to drill a subsequent well and said owners will have fifteen (15) days from the receipt of said notice to elect to the Operator whether to participate in said subsequent well or elect the alternative set forth in paragraph 2c above. The notice shall include the proposed location of the well, proposed total depth, estimated dry hole costs and estimated completed well costs of the subsequent well and owners electing to participate must pay, or make satisfactory arrangements with the operator to secure the payment, of their proportionate share of said completed well costs within twenty (20) days from the receipt of notice. 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 excess or overriding royalty provided for in paragraph 2c above. In the event a party elects or is deemed to have elected not to participate in such well and further development, then such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, interest or claim in and to the unit and common sources of supply involved herein as to said proposed subsequent well and any further subsequent well or wells which may thereafter be proposed and drilled under the plan of development except for the excess or overriding royalty provided for in paragraph 2c. If operations for the drilling or other operations with respect to said subsequent well are not commenced within 180 days from the date of the notice, said proposal shall lapse and become null and void and the parties shall be in the same position relative to one another that they were in immediately prior to the written notice of the subsequent well being transmitted by the proposing party. Anytime 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 units covered hereby. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed 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 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 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 any such 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.

7. Escrowing of Funds: If any payment of bonus due and owing under this order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within ninety (90) days after this order and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and 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 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 the order cannot be made for any other reason, including but not limited to a valid title dispute raised by an attorney, then said bonus shall be paid into an escrow account within ninety (90) days after this order and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds.

8. Operator Lien: That Operator, in addition to any other rights provided herein, shall have a lien, as set out in 52 O.S., Section 87.1 (e), on the interest of any owner, subject to this Order, who has elected to participate in the initial well proposed hereunder or any subsequent well drilled hereunder by paying such owner's proportionate part of the costs thereof; such liens shall be separable as to each separate owner within such unit, and shall remain liens until the owner or owners drilling or operating said well have been paid the amount due under the terms of this pooling Order; furthermore, the owner or owners drilling, or paying for the drilling, or the operation of said well for the benefit of all shall be entitled to production from such well which will 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 the well have been paid the amount due under the terms of this pooling Order or Order settling such dispute.

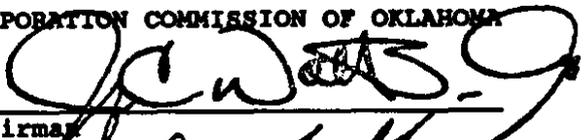
9. Operator: That MJM Resources, Inc.
3160 W. Britton Road, Suite D
Oklahoma City, OK 73120

an owner of the right to drill in said drilling and spacing unit, is designated Operator of the unit and common sources of supply covered hereby and the well, or wells, drilled hereunder. All elections required in paragraph 3 hereof must be communicated to said Operator in writing at the address above as required in this Order. That said Operator is required to pay all bonuses which may become due and payable under the terms of this Order.

10. 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 hereunder.

11. Filing of Affidavit: That the Applicant or its Attorney shall file with the Secretary of the Commission, within 10 days from the date of this Order, an Affidavit stating that a copy of said Order was mailed within 3 days from the date of this Order to all parties pooled by this Order, who addresses are known.

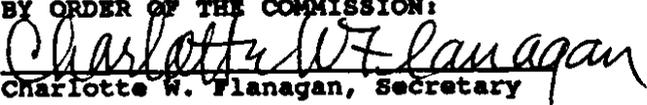
CORPORATION COMMISSION OF OKLAHOMA


Chairman


Vice Chairman


Commissioner

DONE AND PERFORMED this 2nd day of September, 1993.

BY ORDER OF THE COMMISSION:

Charlotte W. Flanagan, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:

Carolyn J. Tucker
Carolyn J. Tucker, Administrative
Law Judge

8-31-93
Date

Jeff Landy
Reviewer

9/1/93
Date

EXHIBIT A
SEC. 24-28N-16W, WOODS COUNTY, OK

PARTIES WITH KNOWN ADDRESSES

Pacific Enterprises ABC Corporation
1700 Pacific Ave., Suite 1200
Dallas, TX 75201

Atlantic Richfield Company, now known
as ARCO Oil & Gas Company
P.O. Box 1610
Midland, TX 79702

Ladd Petroleum Corporation, now Amax
Oil & Gas Inc.
P.O. Box 4838
Houston, TX 77210-4838

88 Petroleum Company, Inc.
3912 N.W. 62nd
Oklahoma City, OK 73112-1424

Nathan Appleman
c/o Bessemer Trust Co.
630 5th Ave.
New York, NY 10111

Nathan Appleman and Bessemer Trust
Company, Trustees of the Nathan
Appleman Trust U/T/I dated December
27, 1978
630 5th Avenue
New York, NY 10111

Cities Service Oil & Gas Corporation,
now known as OXY USA, Inc.
P.O. Box 26100
Oklahoma City, OK 73126

Cross Timbers Oil Company, L.P., a
Delaware Limited Partnership
810 Houston Street, Suite 2000
Ft. Worth, TX 76102

Charles F. Doornbos, Trustee of the
Charles F. Doornbos Revocable Trust
under Trust Agreement dated 8/1/90
P.O. Box 639
Bartlesville, OK 74005

Shroder Associates, a Partnership
P.O. Box 49948
Sarasota, FL 34230-6948

William Shroder
c/o David S. Band
P.O. Box 49948
Sarasota, FL 34230-6948

Gloria Gillespie Parker
P.O. Box 7338
Boulder, CO 80306-7338

Geraldine Gillespie Lucas a/k/a Gere
Gillespie Lucas
Fair Oaks Ranch
Berclair, TX 78107

James A. Gillespie
8033 N. 3rd Place
Phoenix, Arizona 85020

Sidney J. Gillespie
3604 E. Tano Court
Phoenix, Arizona 85044-3868

Bernadette Gillespie Wolfswinkel
3604 E. Tano Court
Chandler, Arizona 85044-3868

Frank E. Gillespie
2452 South Leydon
Denver, CO 80222

Farmer A. Gillespie, Jr.
6323 South Grape Court
Littleton, CO 80121

Rhonda G. Bryans
3333 East Florida, #111
Denver, CO 80210

Jo Ann Gillespie
3847 S. St. Louis
Tulsa, OK 74105

Cecile Jo Gillespie
3847 South St. Louis
Tulsa, OK 74105

John W. Doolin and Katherine E.
Doolin, Successor Trustees of the
John B. Doolin Trust dated 12/1/92
802 S.W. "D" Avenue
Lawton, OK 73501

PARTIES WITH UNKNOWN ADDRESSES

None.

ALL OF THE ABOVE, IF LIVING OR IN
EXISTENCE, AND IF NOT LIVING OR IN
EXISTENCE, THEN THEIR UNKNOWN HEIRS,
EXECUTORS, ADMINISTRATORS, DEVISEES,
TRUSTEES, SUCCESSORS AND ASSIGNS,
IMMEDIATE AND REMOTE.