

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANTS: CHESAPEAKE OPERATING, INC. and)
CHESAPEAKE EXPLORATION)
LIMITED PARTNERSHIP)
RELIEF SOUGHT: POOLING)
LEGAL DESCRIPTION: Section 34,) Cause CD No. 200201677
Township 26 North,)
Range 25 West of the 1M,)
Harper County, Oklahoma) Order No. 463634

ORDER OF THE COMMISSION

Findings and Order

1. Administrative Law Judge, Hearing Date and Place: This cause came on for hearing before Susan Todd Murray, Administrative Law Judge for the Corporation Commission of Oklahoma, on April 29, 2002, in the assigned Administrative Law Judge's courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma.
2. Appearances: John R. Reeves, Attorney, appeared for Applicants, Chesapeake Operating, Inc. and Chesapeake Exploration Limited Partnership; Robert Krueger filed notice of appearance for Panhandle Royalty Company; Janice L. Modisette announced an interest by letter for Devon Production Company, L.P., successor in interest to Kerr-McGee North American Onshore Corporation; and Michael L. Decker, Deputy General Counsel for Conservation, filed notice of appearance for the Commission.
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. Given the entry of appearance and waiver of notice in this cause, 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 publishers' affidavits of publication thereof, the affidavits of mailing and the entry of appearance and waiver of notice in this cause. The Administrative Law Judge conducted a judicial and adjudicative inquiry into the sufficiency of Applicants' 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 Applicants have exercised due diligence and have conducted a meaningful search of all 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 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: 4.1 An entry of appearance and waiver of notice for Milton Petersen, III (#48), 9009 Farnam Street, Omaha, NE 68114, was filed in this cause, in which such party entered a general appearance in this matter submitting and becoming subject to the jurisdiction of the Commission in this cause and waived notice of this matter.

4.2 At the hearing herein, Applicants dismissed Henry C. Woods, Jr. (#65) from this proceeding, which dismissal of such respondent was and is hereby approved.

5. Relief Requested: 5.1 The application in this cause requests the Commission to enter an order pooling the drilling rights and working interest, and fixing and determining the equities with respect thereto, in the Hoover Sand, Tonkawa Sand, Morrow Sand and Chester Lime separate common sources of supply in the 640-acre drilling and spacing units formed therefor in Section 34, Township 26 North, Range 25 West of the IM, Harper County, Oklahoma, and designating one or both of the Applicants, including Chesapeake Exploration Limited Partnership acting by and through its agent, Chesapeake Operating, Inc., or some other party recommended by Applicants 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 under such plan of development of such units.

5.2 By the following set out orders, the Commission formed 640-acre drilling and spacing units in said Section 34 for the following named separate common sources of supply:

<u>Common Source of Supply</u>	<u>Order Number</u>
Hoover Sand	31266
Tonkawa Sand	35985
Morrow Sand	30935
Chester Lime	33204

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 Hoover Sand, Tonkawa Sand, Morrow Sand and Chester Lime separate common sources of supply in the 640-acre drilling and spacing units formed for such separate common sources of supply in Section 34, Township 26 North, Range 25 West of the IM, Harper County, Oklahoma.

6.2 Options. The fair and reasonable compensation to be paid to the owners 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 each of the parties 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 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 Operator, such owner's proportionate part of the \$473,000.00 estimated cost of the

proposed initial unit well covered hereby, or in lieu of such payment, furnishing to Operator security satisfactory to Operator for the payment thereof within twenty (20) 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) **\$100.00 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 \$100.00 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"), such burdens shall be charged against the royalty provided for immediately above so that such royalty shall be reduced by the amount of any 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) **\$75.00 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 \$75.00 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, overriding royalty or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), 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 any 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) **In Lieu of Cash Bonus, 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 in lieu of any cash sum, 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 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, overriding royalty or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), 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 any such burdens; 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 a party 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 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, then such owner may elect only the option in either 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 Chesapeake Exploration Limited Partnership and in connection with any such election or constructive election as to such initial unit well, Chesapeake Exploration Limited Partnership 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 under the plan of development of such units established in this order), except for the normal 1/8th 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 fifteen (15) 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 15-day period has sent such written election by telegram, telegraph 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 \$252,000.00 is the estimated cost of the proposed initial unit well covered hereby as a dry hole under the plan of development of the units involved herein as established in this order; and for the purposes of this order, the sum of \$473,000.00 is the estimated cost of such proposed initial unit well as a producing well under the plan of development of the units involved herein as established in this order; 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 (30) 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 (30) 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 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: Chesapeake Exploration Limited Partnership acting by and through its agent, Chesapeake Operating, Inc., 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 under such plan of development of such units, and all communications to such Operator shall be addressed as follows:

Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496
Telephone: (405) 848-8000

Both Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc. have on file with the Commission plugging agreements and appropriate security for such agreements.

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 two-hundred seventy (270) 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 to timely commence operations on or in connection with such initial unit well or to continue 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 and 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, Operator 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. Such written notice 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 fifteen (15) 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 option set forth in subparagraph (iv) of paragraph 6.2, above, subject to the terms, conditions and limitations set forth in such paragraph. A timely election under this paragraph shall be deemed to have been made if such party on or before the last day of such 15-day period has sent such written election by telegram, telegraph or telefacsimile transmittal to Operator at the address set forth in paragraph 10, above, or has had such written election duly post-marked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to such Operator 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 under such plan of development.

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 option in subparagraph (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 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 under 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 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 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, furnishing to Operator security satisfactory to Operator for the payment thereof, within twenty (20) 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 option in subparagraph (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 under such plan of development. 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 under 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 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 two-hundred seventy (270) 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 within the above-described 270-day period, then 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 by Operator; 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 to timely commence 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.

13.5 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: Applicants exercised due diligence to locate each of the parties named as a respondent in this cause. Furthermore, Applicants have made a bona fide effort to reach an agreement with each respondent in this cause, who could be located, as to how the units involved in this cause would be developed and Applicants have been unable to reach an agreement with the owners named and described as respondents in this cause. Chesapeake Exploration Limited Partnership 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 drilling and spacing units involved herein by virtue of the ownership of rights and interests in valid and subsisting oil and gas leases covering the land involved herein. Chesapeake Operating, Inc. has the right to drill a well into and produce hydrocarbons from the separate common sources of supply in the drilling and spacing units involved herein for and on behalf of Chesapeake Exploration Limited Partnership by virtue of an agency agreement.
15. Mailing of Order and Affidavit in Connection Therewith: Operator, or its 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 drilling and spacing units involved herein should be required to pool their interests and develop such drilling and spacing units as a 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 substantial 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 in the

section involved herein and the options based thereon as recommended by Applicants are supported by substantial evidence.

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

Denise A. Bode

DENISE A. BODE, ^{Vice} Chairman

Bob Anthony

BOB ANTHONY, ^{Vice} Chairman

Ed Apple

ED APPLE, Commissioner

DONE AND PERFORMED this 16 day of May, 2002.

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.

[Signature]
Administrative Law Judge

5/13/02
Date

[Signature]
Reviewer

5-15-02
Date

EXHIBIT "A"

Respondents-Known Addresses

1. Texanna Crystal Allen
6022 "Y" Street
Katy, TX 77493
2. Raymond Ben Barker
P. O. Box 218
Katy, TX 77450
3. R. Finley Basore
1111 Fenwick Place
Oklahoma City, OK 73116
4. Grover Beakley, Jr.
P. O. Box 1264
Brownwood, TX 76804
5. Louise H. Woods, now Benkert
970 Park Avenue, Apt 5-N
New York, NY 10028
6. Paulette Bishop
436 W. Garfield Avenue
Wildwood, NJ 08260
7. Sue Bracksieck
c/o M. L. Bracksieck
37317 W. Highway 66
Bristow, OK 74010
8. Corinne E. Brown,
a/k/a Corrine Schiefelbusch Brown
4217 S. Owasso
Tulsa, OK 74105
10. Sarah W. P. Cartmill,
formerly Sarah W. P. Brown
P.O. Box 299
Onawa, IO 51040
11. Marjorie Danielson
c/o Alan Danielson
2300 Industrial Road
Emporia, KS 66801
12. Marjorie Danielson
c/o Lorene Carol Ford
511 S. Exchange Street
Emporia, KS 66801
14. Fall River Resources, Inc.
P. O. Box 13456
Denver, CO 80201
15. FFF, Inc.
P. O. Box 8874
Denver, CO 80201-8874
16. Jeanie Fitch
P. O. Box 54
Haviland, KS 67059

Respondents-Known Address Cont.

17. Delores LaMayne Fox,
a/k/a Delores LaMoyne Fox
1723 Drexel
Katy, TX 77493
18. Christiana Fullbright
1710 Durfey lane
Katy, TX 77449
19. Niki Fullbright
1710 Durfey lane
Katy, TX 77449
20. Toby Fullbright
P. O. Box 5101
Edmond, OK 73083
21. Euteva Lenore Gregory
P. O. Box 361
Leander, TX 78646
22. Jean Haley Griffin Family Trust,
and the Trustee of such trust
2 Country Club Court
Arlington, TX 76013
23. John D. Groendyke
P. O. Box 648
Enid, OK 73702
24. Richard W. Haley
11923 Broken Bough Drive
Houston, TX 77024
25. Francis A. Hannifin
3421 W. 98th Drive, Unit B
Westminster, CO 80031
26. Bettie J. Hardy, a/k/a Betty J. Hardy
18741 Old Bayshore Road
North Fort Myers, FL 33917
27. Forest R. Hardy
P. O. Box 1145
Whitehouse, TX 75791
28. Keith Hardy
c/o 18741 Old Bayshore Road
North Fort Myers, FL 33917
29. Keith Hardy
910 Larado Avenue
Lehigh Acres, FL 33971
31. Kathryn L. Jackson
3313 S. Vine
Wichita, KS 67217

Chesapeake Operating, Inc. and
Chesapeake Exploration Limited Partnership
Cause CD No. 200201677

Respondents-Known Addresses Cont.

- 32. Kerr-McGee North
American Onshore Corporation
c/o Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102
- 33. Allen Killough
c/o Norma McCutcheon
P. O. Box 134
Delaware, OK 74027
- 34. Felix Killough
c/o John Allen Wallace
1310 Mulberry
Muskogee, OK 74403
- 35. Howard DeWayne Killough
P. O. Box 194
Delaware, OK 74027
- 36. Otis Killough
c/o Norma McCutcheon
P. O. Box 134
Delaware, OK 74027
- 37. Joseph Paul Klabzuba
P.O. Box 594
Prague, OK 77864
- 39. Robert B. Lyon
1408 Philtower Building
Tulsa, OK 74103
- 42. Traci Fullbright, now Nyberg
P. O. Box 5101
Edmond, OK 73083
- 43. Darla Fae Olson,
formerly Darla Fae Roberts
Route 1, Box 9
Aline, OK 73716
- 44. Panhandle Royalty Company
5400 N. Grand Boulevard, Suite 210
Oklahoma City, OK 73112
- 45. Nancy Jane Parsley
c/o Corinne E. Brown,
4217 S. Owasso
Tulsa, OK 74105
- 46. Frank Woods Petersen
(See #47 below)
- 47. Frank Woods Petersen
104 Harborview Drive
Washburn, WI 54891
- 48. Milton Petersen, III
9009 Farnam Street
Omaha, NE 68114

Respondents-Known Addresses Cont.

- 49. Betty Proffitt
c/o Lester Proffitt
Route 1, Box 16
Oakwood, OK 73658
- 50. Dianne Pufahl
30930 Oil Well Road
Punta Gorda, FL 33955
- 53. John C. Shawver
155 N. Market, Suite 500
Wichita, KS 67202
- 54. Westley Shirley
c/o M. L. Bracksieck
37317 W. Highway 66
Bristow, OK 74010
- 55. R. H. Siegfried, Inc
1924 S. Utica, Suite 1120
Tulsa, OK 74104
- 56. John Spurlock
c/o Tom Frailey
P. O. Box 533
Chickasha, OK 73023
- 57. Jimmy L. Stinson
Route 2, Box 403
Laverne, OK 73848
- 58. Marvin Elwood Sumpter
and Betty Sue Sumpter
1108 Bell Street
Arlington, TX 76001
- 59. Wesley Keith Sumpter
c/o Maintenance Department
Stephenville, Texas High School
2655 W. Overhill
Stephenville, TX 76401
- 60. Tickono Energy Corporation
P. O. Box 742
Mt. Carmel, IL 62863
- 61. Mary Rhoda Tracy
c/o Arlene Jarvis
11070 Viacha Drive
San Diego, CA 92124
- 62. The Fourth National Bank and Trust
Company, Wichita, as Trustee under
that certain Trust Agreement dated the
15th day of December, 1969
c/o Bank of America
P. O. Box 1122
Wichita, KS 67201-1122
- 63. Gladys Reynolds Von Drehle
c/o William D. Von Drehle
2846 E. 36th Place
Tulsa, OK 74105-3608

Chesapeake Operating, Inc. and
Chesapeake Exploration Limited Partnership
Cause CD No. 200201677

Respondents-Known Addresses Cont.

- 64. Annabelle Wallace
c/o John Allen Wallace
1310 Mulberry
Muskogee, OK 74403
- 65. (Dismissed)
- 66. James H. Wright
c/o Delma Mae Mason
301 Darrell Court # 6
Liberty, MO 64068
- 67. Leroy Wright
c/o Leta I. Wright
807 Matthew Street, Apt 8
Concordia, KS 66901
- 68. Thomas E. Wright
620 North Weigle Avenue
Watonga, OK 73772
- 69. Wilbur D. Wright
1721 W. Niona Place
Tucson, AZ 85704

Respondents-Unknown Addresses

- 9. Clauda Campbell,
a/k/a Claudia Campbell
c/o 2125 Jackson
Wichita, KS 67203
(Last Known Address)
- 13. Mary Joy Dukes
c/o 206 N. Clara
Wichita, KS 67212
(Last Known Address)
- 30. Lorraine Ivie
402 W. 7th
Watonga, OK 73772
(Last Known Address)
- 38. Colleen Llwellyn
685 lacerville Drive
Placerville, CA 95667
(Last Known Address)
- 40. Anna ruth McKaye,
formerly Anna Ruth Penland
319 South Waverly
Bartlesville, OK 74006
(Last Known Address)
- 41. Mary B. McLeod
(Address Unknown)
- 51. Ruth Robertson,
formerly Ruth Ellis
2209 Spence, Apt 1
Jonesboro, AR 72401
(Last Known Address)

Respondents-Unknown Addresses Cont.

- 52. Laura Savage
(Address Unknown)

**Parties Named for Curative
Purposes Only:**

- 70. Mary Alice Albin
c/o Lorene Carol Ford
511 S. Exchange Street
Emporia, KS 66801
- 71. Warren Albin
c/o Lorene Carol Ford
511 S. Exchange Street
Emporia, KS 66801
- 72. Kenneth B. Bacus
1301 Downing Street
Oklahoma City, OK 73120
(Last Known Address)
- 73. Ben Barker
c/o Raymond Ben Barker
P. O. Box 218
Katy, TX 77450
- 74. Ray E. Ben Barker
c/o Raymond Ben Barker
P. O. Box 218
Katy, TX 77450
- 75. Doris Ann Bash and Terry Ann Bash
206 N. Clara
Wichita, KS 67212
(Last Known Address)
- 76. Ray E. Basore and Mildred F. Basore
c/o R. Finley Basore
1111 Fenwick Place
Oklahoma City, OK 73116
- 77. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102
- 78. Ernest J. Foster and Melda Jean Foster
2872 Sonoma Drive
Riverside, CA 92504
(Last Known Address)
- 79. J. F. Given
c/o June Givens
114 Neosho Street
Neosho Rapids, KS 66864
- 80. Peggy C. Green and William S. Green
2241 Cherry
Woodward, OK 73801
- 81. H. D. Killough, a/k/a Harvey Killough
c/o Norma McCutcheon
P. O. Box 134
Delaware, OK 74027

Chesapeake Operating, Inc. and
Chesapeake Exploration Limited Partnership
Cause CD No. 200201677

**Parties Named for Curative
Purposes Only Cont.**

- 82. Ivan Killough
c/o Norma McCutcheon
P. O. Box 134
Delaware, OK 74027
- 83. Jack A. Killough
c/o John Allen Wallace
1310 Mulberry
Muskogee, OK 74403
- 84. Lillie Amanda Killough
c/o Norma McCutcheon
P. O. Box 134
Delaware, OK 74027
- 85. Anna May Knight
3120 S. Richmond
Wichita, KS 67217
(Last Known Address)
- 86. Douglas R. Laubhan
and A. Karen Laubhan, as Co-Trustees
of the Douglas R. Laubhan Revocable
Trust U/D/T dated the 7th day
of April, 2000
FBO Douglas R. Laubhan
1817 Hillcrest
Woodward, OK 73801
- 87. Annabel Nelson
c/o Colleen Llewellyn
685 Placerville Drive
Placerville, CA 95667
(Last Known Address)
- 88. Shirley W. Petersen
c/o Sarah W. P. Cartmill
9739 Brentwood Road
Omaha, NE 68114
(Last Known Address)
- 89. Eura Inez Russell
3201 NW 28th Street
Oklahoma City, OK 73107
(Last Known Address)

**Parties Named for Curative
Purposes Only Cont.**

- 90. Jerry E. Shawver
c/o John C. Shawver
155 N. Market, Suite 500
Wichita, KS 67202
- 91. Jay B. Sprouse and Wanda E. Sprouse
9104 N. Military
Oklahoma City, OK 73114
- 92. Carl L. Spurlock and Iris D. Spurlock
432 W. Douglas Drive
Midwest City, OK 73110
- 93. Robert Jack Spurlock
and Betty P. Spurlock
Star Route 1, Box 136
Milam, TX 75959
- 94. Scottie L. Spurlock
and Bonita Ruth Spurlock
8644 Stonewood Drive
Fort Worth, TX 76179
(Last Known Address)
- 95. Bank IV Wichita, formerly The Fourth
National Bank of Wichita, as Trustee
UTA dated 12-15-69, a/k/a the Bettie
N. Stephan Irrevocable Trust
c/o Bank of America
P. O. Box 1122
Wichita, KS 67201-1122
- 96. Delmar Wright
c/o Wilbur D. Wright
1721 W. Niona Place
Tucson, AZ 85704
- 97. John K. Wright
c/o Alan Danielson
2300 Industrial Road
Emporia, KS 66801
- 98. Leta I. Wright
807 Matthew Street, Apt 8
Concordia, KS 66901

Each of the above-named individuals has been made a respondent, if living, and if any such individual is deceased, then the unknown heirs, executors, administrators, devisees, trustees and assigns, both immediate and remote, of such deceased individual have been made respondents herein. Each of the above-named entities 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. Each of the above-named parties designated as a trustee has been made a respondent if presently acting in such capacity as trustee, and if any such party is not presently acting in such capacity as trustee, then the unknown successor or successors to such trustee have been made respondents herein.