

JLM
5-27-18

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: BP AMERICA PRODUCTION COMPANY)
) Cause CD No. 201801814
 RELIEF SOUGHT: POOLING)
)
 LEGAL DESCRIPTION: Section 15,)
 Township 6 North,)
 Range 2 West of the 1M,)
 McClain County, Oklahoma) **678395**
)Order No. _____

ORDER OF THE COMMISSION

Findings and Order

1. Administrative Law Judge, Hearing Date and Place: This cause came on for hearing before Ben Jackson, Administrative Law Judge for the Corporation Commission of Oklahoma, on May 8, 2018, in the assigned Administrative Law Judge's courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma.
2. Appearances: John R. Reeves, attorney, appeared for Applicant, BP America Production Company; and Gregory L. Mahaffey, attorney, appeared for Wake Energy, LLC and Steven V. Redgate. The protests to this cause were resolved and withdrawn.
3. Notice and Jurisdiction: The Commission has jurisdiction of the subject matter herein and of the persons interested therein and has jurisdiction to enter this order as hereinafter set forth. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given in all respects as required by law and the rules of the Commission. The 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 involved herein and based upon the evidence adduced, the Commission finds that Applicant has exercised due diligence and has conducted a meaningful search of all reasonably available sources at hand. The Commission hereby approves the service of notice, including 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: At the hearing herein, the application in this cause was not amended.
5. Relief Requested: 5.1 The application in this cause requests the Corporation Commission of Oklahoma to enter an order pooling the drilling rights and working interest, and fixing and determining the equities with respect thereto, of the owners involved herein in the Woodford common source of

supply in the 640-acre horizontal well unit formed therefor in Section 15, Township 6 North, Range 2 West of the IM, McClain County, Oklahoma, and designating Applicant or some other party recommended by Applicant as Operator under the plan of development to be established in this cause for the common source of supply in the horizontal well unit involved herein, including the initial unit well and any subsequent well or wells drilled under or otherwise covered by such plan of development of such unit.

5.2 By Order No. 660243, the Commission formed a 640-acre horizontal well unit in said Section 15 for the Woodford common source of supply.

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 Woodford common source of supply in the 640-acre horizontal well unit formed for such common source of supply in Section 15, Township 6 North, Range 2 West of the IM, McClain County, Oklahoma.

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

(i) Participation. To participate in the working interest in and the development of the common source of supply in the unit involved in this cause in the land covered hereby under the plan of development established in this order by agreeing to pay such owner's proportionate part of the actual costs of any well covered hereby and by paying as set forth herein, to Operator, such owner's proportionate part of the \$6,317,563.00 estimated total costs of the initial unit well covered hereby allocated to the unit involved herein as described in paragraph 8.1, below, or in lieu of such payment, furnishing to Operator security satisfactory to Operator for the payment thereof, within twenty-five (25) days after the date of this order so as to perfect such election to so participate; such owner's proportionate part of the costs of, and of the production from, any such well to be in the proportion that the number of net mineral acres in the unit covered by the drilling rights or working interest owned by such owner bears to the entire number of mineral acres in such unit; or

(ii) **\$900.00 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 common source of supply in the unit involved in this cause in the land covered hereby, to elect to receive a sum of \$900.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, with the normal 1/8th royalty as defined in 52 O.S. § 87.1; **provided, however,** in the event such owner's interest is burdened by a royalty or other burden on production totaling not more than 1/8th of 8/8ths (hereinafter referred to as "burdens"), all such burdens shall be charged against the royalty provided for immediately above so that such royalty shall be reduced by the amount of all such burdens and therefore, any owner electing this option shall deliver under this order a net revenue interest of 87.5% of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order; **and provided, further,** that such royalty provided for above and such net revenue interest of 87.5% of 8/8ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the unit 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 unit; or

(iii) **\$800.00 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 common source of supply in the unit involved in this cause in the land covered hereby, to elect to receive a sum of \$800.00 per net mineral acre owned by such owner or per net mineral acre covered by an oil and gas lease held by such owner, as the case may be, plus an excess royalty or overriding royalty (in addition to the normal 1/8th royalty as defined in 52 O.S. § 87.1) in the maximum amount of 1/16th of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, free and clear of all costs, expenses and risks incurred in or in connection with the drilling, completing, testing and equipping of any such well covered hereby; **provided, however,** in the event such owner's interest is burdened by a royalty, excess royalty, overriding royalty, production payment or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), all such burdens shall be charged against such excess royalty or overriding royalty of 1/16th of 8/8ths so that such excess royalty or overriding royalty shall be reduced by the amount of all such burdens and therefore, any owner electing this option shall deliver under this order a net revenue interest of 81.25% of 8/8ths of the oil, casinghead gas, gas and gas condensate produced from any well covered by this order, with such net revenue interest being determined by deducting from such owner's share of production all existing royalties, excess or overriding royalties (including the one provided for immediately above) and other non-operating or non-cost bearing burdens; **and provided, further,** that such excess royalty or overriding royalty of 1/16th of 8/8ths, subject to the reduction provided for immediately above, and such net revenue interest of 81.25%

of 8/8ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the unit 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 unit; 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 common source of supply in the unit 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, excess royalty, overriding royalty, production payment or other burden on production in excess of the normal 1/8th royalty as defined above (hereinafter referred to as "burdens"), all such burdens shall be charged against such excess royalty or overriding royalty of 7.5% of 8/8ths so that such excess royalty or overriding royalty shall be reduced by the amount of all such burdens; 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 unit 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 unit;

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 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 initial unit well involved herein shall be paid or tendered by BP America Production Company and in connection with any such election

or constructive election as to such initial unit well, BP America Production Company shall acquire from any owner herein pooled all forced pooled acreage, being the interests, if any, relinquished hereunder by any owner herein pooled who elected or was deemed to have elected not to participate in the working interest in and the development of the common source of supply in the unit 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 common source of supply in the unit 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 common source of supply in the unit involved herein in the land covered hereby (including the initial unit well and any subsequent well or wells drilled under or otherwise covered by the plan of development of such unit 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 common source of supply covered hereby) of any one or more of the applicable options set forth in subparagraphs (i), (ii), (iii) and (iv), above, and if such owner's election covers more than one of such applicable options, such owner shall specify in such election the portion of such owner's interest to be allocated to each such separate option so elected.

6.3 Election Period. Within the period of twenty (20) days after the date of this order, any 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 common source of supply in the unit covered hereby of one or more of the applicable options set forth in subparagraphs (i), (ii), (iii) and (iv) of paragraph 6.2, above, subject to the terms, conditions and limitations set forth in such paragraph. A timely election shall be deemed to have been made if such owner on or before the last day of such 20-day period has hand delivered such written election or has sent such written election by 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 unit 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 common source of

supply in the unit involved in this cause under the plan of development established in this order and shall be deemed to have elected the following:

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

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

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

8. Well Costs - Initial Unit Well and Default:

8.1 Well Costs - Initial Unit Well. For the purposes of this order, the sum of \$1,987,500.00 is the estimated total costs of the initial unit well covered hereby as a dry hole; and for the purposes of this order, the sum of \$6,317,563.00 is the estimated total costs of such initial unit well as a producing well. The initial unit well covered hereby is a multiunit horizontal well (being the Rice 6N 2W 10 1HX Well) which has been drilled and completed in the Woodford common source of supply by Operator so that a portion (heel portion) of the completion interval of such well is located in Section 10, Township 6 North, Range 2 West of the IM, McClain County, Oklahoma and so that a portion (toe portion) of the completion interval of such well is located in Section 15, Township 6 North, Range 2 West of the IM, McClain County, Oklahoma. By the final order entered in Cause CD No. 201708277, the Commission established the final allocation factors for the allocation of costs incurred in connection with

the initial unit well involved herein as a multiunit horizontal well to be 30.97% for said Section 10 and 69.03% for said Section 15. Under such final allocation factors, the estimated total costs of the initial unit well covered hereby as allocated to the unit involved herein as a dry hole are \$1,371,971.25 and as a producing well are \$4,361,013.74. 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 as allocated to the unit involved herein 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 unit 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 any owner whose drilling rights or working interest is pooled herein elects to participate as a working interest owner under this order, but thereafter fails or refuses to pay or secure the payment of such owner's proportionate part of the costs of the initial unit well covered hereby under the plan of development of the unit involved herein, Operator shall have the option of treating such owner as having withdrawn such owner's election to so participate and as to such owner's interest in the unit involved herein or the portion thereof covered by such initial election to so participate, as having failed to have affirmatively elected any other option afforded in paragraph 6.2, above, and thus being subject to the provisions of paragraph 7, above; and in the event of such owner's failure or refusal to so pay or secure the payment of such well costs, any cash bonus which becomes payable under this order to such owner shall be paid or tendered within thirty-five (35) days after the last date on which such defaulting owner under this order could have paid or made satisfactory arrangements for the payment of such well costs. 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 initial unit well involved herein shall be paid or tendered within thirty-five (35) days after the date of this order, except as provided in paragraph 8.2, above, or unless the owner entitled to such funds cannot otherwise be paid as provided below.

9.2 Escrow Account Under 52 O.S. § 551 et seq. If any payment of cash bonus due and owing under this order by virtue of any election or constructive election made with regard to the 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 the title to such owner's interest in the unit involved in this cause has a defect therein, has a cloud thereon or is otherwise not marketable title or if such owner fails to execute and deliver to Operator any requested form or document (including a W-9 form for the IRS) deemed necessary by Operator for the proper and appropriate payment of the cash bonus or any other funds due hereunder 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 such other funds may deposit (credit) such cash bonus or such other funds due such party into an internal escrow account established in the accounting records of such holder and such cash bonus or such 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 until such owner accepts such funds or until such title defect or cloud is cured or removed or such title is otherwise rendered marketable title to the satisfaction of the party responsible or liable for and holding such funds or until such owner executes and delivers to Operator the above-described form or document deemed necessary by Operator for such payment.

10. Operator: BP America Production Company is hereby designated as Operator under the plan of development established in this order for the common source of supply in the unit covered hereby, including the initial unit well and any subsequent well or wells drilled under or otherwise covered by such plan of development of such unit, and all communications to such Operator shall be addressed as follows:

BP America Production Company
1100 North Broadway Avenue, Suite 200
Oklahoma City, Oklahoma 73103
Telephone: (405) 416-9166

Order

Applicant: BP America Production Company
Cause CD No. 201801814

BP America Production Company has on file with the Commission a plugging agreement and appropriate security for such agreement.

11. Commencement of Operations: Operations on the initial unit well covered hereby (being the Rice 6N 2W 10 1HX Well) have been commenced by Operator as of the date of the hearing in this matter. As of the date of the hearing in this matter, Operator has drilled and completed the initial unit well covered hereby as a multiunit horizontal well in the Woodford common source of supply in Sections 10 and 15, Township 6 North, Range 2 West of the IM, McClain County, Oklahoma.
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 unit involved herein and upon their shares of the production from any well covered hereby to the extent that costs incurred in the development of and the operations upon the unit involved herein are a charge against such interests. Such liens shall be separable as to each separate owner within the unit 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 the unit involved herein shall be applied toward payment of costs chargeable to any other interest in such unit.
13. Subsequent Wells: 13.1 If subsequent to the initial unit well involved herein, another well is proposed in the horizontal well unit covered hereby under the plan of development established in this order, the party proposing such subsequent well shall send written notice of such proposed subsequent well to each party who participated as a working interest owner in the initial unit well covered hereby and in the development of the common source of supply in the unit involved in this cause under such plan of development. Any party, who participated under this order as a working interest owner in the initial unit well covered hereby and in the development of the common source of supply in the unit involved in this cause under the plan of development established in this order, shall have the right to propose any subsequent well under the provisions of this section 13 as long as such party retains the right to participate as a working interest owner in such proposed subsequent well. The above-described written notice of such proposed subsequent well shall set out the address of the proposing party for purposes of making an election under this section 13, shall contain a brief description of such proposed subsequent well and shall include the estimated costs of such well as a dry hole and as a producing well. Such written notice of such proposed subsequent well shall not be sent to the applicable parties, as described herein, until all necessary authorization and permission to drill such proposed subsequent well have been obtained from the Commission. Each party entitled to the above-described written notice of such

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

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

13.3 Any party entitled to make a written election as to a subsequent well who elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the common source of supply in the unit 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 costs of such proposed subsequent well and shall pay to Operator such owner's proportionate part of the estimated costs of such proposed subsequent well, or in lieu of such payment, shall furnish to Operator security satisfactory to Operator for the

payment thereof, within twenty-five (25) days from the date of receipt of the written notice of such proposed subsequent well as described in this section 13, and upon such timely payment or furnishing of such satisfactory security, such party's election to continue to participate as to such subsequent well shall be perfected. In the event an owner entitled to make a written election as to a subsequent well elects as to the proposed subsequent well to continue to participate in the working interest in and the development of the common source of supply in the unit 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 costs of such proposed subsequent well within the time period and in the manner described above, Operator shall have the option of treating such owner as having withdrawn such owner's election to continue to so participate and as having elected the one, and only one, applicable non-participating option for such owner, as described in paragraph 13.1, above, given the burdens on such owner's interest at that time, in lieu of continuing to participate as to such proposed subsequent well and any further subsequent well or wells drilled under or otherwise covered by such plan of development; and in the event of such owner's failure or refusal to so pay or secure the payment of such estimated well costs as to such proposed subsequent well, any cash bonus which becomes payable under this order to such defaulting owner shall be paid or tendered within thirty-five (35) days after the last date on which such defaulting owner under this order could have paid or made satisfactory arrangements for the payment of such estimated well costs as to such proposed subsequent well. In the event there is a dispute as to the well costs incurred in connection with or as to the work performed on any subsequent well drilled under or otherwise covered by the plan of development established in this order after the work has been done on such well, the Commission retains jurisdiction for the purpose of determining whether the costs (including any charge for supervision) incurred in connection with such subsequent well and the work performed on such well were both necessary and reasonable.

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

13.5 As to any subsequent well proposed under this section 13, Operator shall commence or cause to be commenced operations on or in connection with such subsequent well within one-hundred eighty (180) days after the date of the written notice proposing such subsequent well and Operator shall continue or cause to be continued such operations on or in connection with such subsequent well with due diligence. If such operations on or in connection with such proposed subsequent well are not commenced or caused to be commenced within the above-described 180-day period, then the proposal of such subsequent well and the elections of the parties as to such proposed subsequent well shall

expire and such parties shall be in the same position they were in immediately prior to the written notice of such subsequent well being sent; and in such event, the rights acquired from the parties electing as to the proposed subsequent well not to continue to participate in the working interest in and the development of the common source of supply in the unit involved in this cause under the plan of development established in this order shall be relinquished by Operator and any other acquiring party and such relinquished rights shall revert in such parties who elected not to continue to so participate. Failure timely to commence or cause to be commenced operations on or in connection with any subsequent well under this section 13 shall not divest or otherwise affect in any manner the rights and interests of the various parties in any well or wells drilled prior thereto under the plan of development established in this order and shall not terminate such plan of development.

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

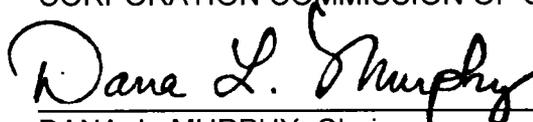
14. Special Findings: Applicant exercised due diligence to locate each of the parties named as a respondent in this cause. Furthermore, Applicant has made a bona fide effort to reach an agreement with each respondent in this cause as to how the unit involved in this matter would be developed and Applicant has been unable to reach an agreement with any owner named as a respondent in this cause which would allow the dismissal of any such owner from this proceeding. BP America Production Company is the owner of the right to drill a well into, to produce hydrocarbons from and to appropriate production from the common source of supply in the unit involved herein.
15. Mailing of Order and Affidavit in Connection Therewith: Applicant, or Applicant's attorney, shall file an affidavit with the Commission within ten (10) days after the date of this order stating that a true and correct copy of this order was mailed within three (3) days after the date of this order to each owner whose interest is pooled by this order and who could be served. The name and last-known 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 common source 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 unit covered hereby should be required to pool their interests and develop such unit as a unit, upon the terms and conditions set out in this order, all of which terms and conditions

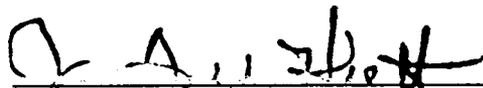
Order
Applicant: BP America Production Company
Cause CD No. 201801814

are found hereby, after consideration of the evidence presented in this cause, to be supported by such evidence and to be just and reasonable and such as will afford each owner in such unit the opportunity to recover or receive, without unnecessary expense, each such owner's just and fair share of the production from such unit. In particular, the fair market value of drilling rights and working interest in the land involved herein and the options based thereon as recommended by Applicant are supported by the evidence presented in this cause.

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

CORPORATION COMMISSION OF OKLAHOMA


DANA. L. MURPHY, Chairmah


J. TODD HIETT, Vice Chairman


BOB ANTHONY, Commissioner

DONE AND PERFORMED this 29 day of May, 2018.

BY ORDER OF THE COMMISSION:


PEGGY MITCHELL, Commission Secretary

Order
Applicant: BP America Production Company
Cause CD No. 201801814

REPORT OF THE ADMINISTRATIVE LAW JUDGE

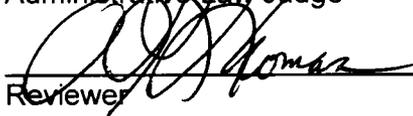
The foregoing findings and order are the report and recommendations of the Administrative Law Judge.



Administrative Law Judge

5/15/18

Date

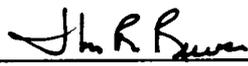


Reviewer

5/15/18

Date

Approved as to form and content.



John R. Reeves

14818-0982ord

EXHIBIT "A"

Respondents - Known Addresses:

- 1 Mary Bingaman
326 NW 21st Street
Oklahoma City, OK 73103-1923
- 2 Northshore Energy & Investments, Inc.
P.O. Box 1676
Purcell, OK 73080
- 3 Para Pro Corp.
c/o Carol Obele
140 Arroyo Seco Dr.
Sedona, AZ 86336-4377
- 4 Richard Gray Minerals, LLC
715 West Washington
Purcell, OK 73080

Respondents - Unknown Addresses:

None

Parties Named for Curative Purposes Only:

None

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

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