

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: SLAWSON EXPLORATION COMPANY, INC.

RELIEF SOUGHT: POOLING

LEGAL DESCRIPTION: SECTION 35, TOWNSHIP) CAUSE CD NO. 201303960
19 NORTH, RANGE 4 WEST, LOGAN COUNTY,)
OKLAHOMA) ORDER NO. **614655**

ORDER OF THE COMMISSION

1. Hearing Date and Place: 8:30 a.m., the 9th day of July, 2013, Jim Thorpe Building, Oklahoma City, Oklahoma.
2. Appearances: Charles L. Helm, Attorney, appeared for the Applicant, Slawson Exploration Company, Inc.
3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons. With regard to each respondent, if any, whose address is listed as unknown in the Application on file in this Cause, or whose address is listed as known in such Application, but on whom the Applicant was unable to deliver notice because such address is apparently no longer valid, the Administrative Law Judge conducted an adjudicative inquiry into the factual issue of due diligence and determined that the Applicant has made a diligent effort to locate the whereabouts of such respondent using available primary and secondary sources, and service by publication with regard to such respondent has been duly and legally made and the Commission, after examining the records and proof of publication, approves the process.
4. Amendments: At the time of hearing, the Application was amended to dismiss the Hunton common source of supply.
5. Relief Requested: To pool and adjudicate the rights and equities of the owners named in Exhibit "A" attached hereto (including respondents listed primarily as curative) underlying the lands described in the caption hereof, and to designate the Applicant or some other party as operator. Applicant requested a "unit" pooling order covering owners' rights in all wells drilled and produced on the described drilling and spacing unit.
6. Relief Granted: The requested relief is granted and the rights and equities of all owners named in Exhibit "A" attached hereto are hereby pooled, adjudicated and determined in the lands described in the caption hereof for the following common sources of supply:

Common Source of Supply

Spacing Order No.

Mississippian
Woodford

612518
612518

said owners named in Exhibit "A" attached hereto must make an election within twenty (20) days from the date of this Order to the designated Operator, Slawson Exploration Co., Inc. That, each owner, subject hereto, may make any of the elections as to all or any part of the interest of such owner in the unit and must give notice as to which of the elections stated in Paragraph 6 herein, such owner accepts.

- a. Participate: To participate in the development of the unit and common sources of supply by agreeing to pay such owner's proportionate part of the actual cost of the well or wells covered hereby and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed well cost thereof, or by securing or furnishing security for such payment satisfactory to the Operator, within ten (10) days from the date of a Notice of Intent to Spud which will be sent to participating parties not more than thirty (30) days prior to spud. The estimated costs are as follows:

Completed as a dry hole	- \$1,563,650.00
Completed for production	- \$3,615,650.00

provided, however, that in the event an owner elects to participate in said well by paying his proportionate part of the costs thereof and fails or refuses to pay or to secure the payment of such owner's proportionate part of the completed well cost as set forth herein, or fails or refuses to pay or make an arrangement with the Operator for the payment thereof, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to accept the option provided in Paragraph 6(b) below; provided, that if an owner's interest has burdens that exceed the total royalty provided in Paragraph 6(b) below, then in that event, such owner shall be deemed to have accepted the option provided in Paragraph 6(c) below. Thereupon the payment of such cash bonus shall be made by Operator within thirty-five (35) days after the last day of which such defaulting owner under this Order, should have paid his proportionate part of such owner's costs or should have made satisfactory arrangements for the payment thereof.

- b. Cash Consideration: **(\$575.00 per acre and a 3/16 total royalty, as more fully described herein)** To accept \$575.00 per acre cash plus an overriding royalty or excess royalty of 1/16 of 8/8 as a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in the cost thereof; such cash bonus to be paid by Operator within thirty-five (35) days from the date of this Order and when so paid shall be satisfaction in full for all rights and interests of such owner in the unit covered hereby, except for any normal 1/8

royalty interest, as defined in 52 O.S., Section 87.1 (e) (1977); provided, however, in the event any owner's interest is subject to a royalty, overriding royalty, or other burden on production in excess of the normal 1/8 royalty as defined herein, then, such excess royalty, overriding royalty, or other burden shall be charged against the 1/16 of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess. To elect this option, a respondent must be capable of delivering at least an 81.25% net revenue interest to the Operator, at the time elections are due herein.

- c. Consideration in Lieu of Cash: **(No cash bonus and a 22% total royalty, as more fully described herein)** To accept in lieu of such cash bonus plus an excess royalty, an owner may elect to have delivered unto him, as his just and fair share of the production from such well, in addition to the normal 1/8 royalty interest as defined in 52 O.S. Section 87.1 (e) (1977), his proportionate part of an undivided 9.5% of 8/8 on oil, casinghead gas, natural gas and natural gas condensate, produced from any well drilled under this Order, same to be delivered into the lease tank or into the pipe line to which said well is connected, free and clear of all costs, expenses, and risks incurred in or in connection with the drilling, testing, completing, equipping, operating and producing of the well covered hereby. Provided, however, in the event any owner's interest is subject to a royalty, overriding royalty or other burden on production in excess of the normal 1/8 royalty as defined, herein, then, such excess royalty, overriding royalty or other burden shall be charged against the 9.5% of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess.
7. Failure to Elect: In the event any owner fails to elect within the time and in the manner as set out above which of the alternatives set forth in Paragraph 6 above, any such owner accepts, then such owner shall be deemed to have accepted the cash bonus plus total royalty as set out in Paragraph 6(b). In the event any such owner's interest is burdened greater than the total royalty provided in Paragraph 6(b), then said owner will be deemed to have elected the option provided in Paragraph 6(c). In the event any owner elected to do other than participate in said well by paying his pro rata share of the costs thereof, or fails to make one of the elections provided above, such owner shall be deemed to have relinquished unto Operator all of such owner's right, title, and interest or claim in and to the unit well or wells, except for any normal 1/8 royalty interest and other share in production to which such owner may be entitled by reason of any election hereunder.
8. Participation in Subsequent Wells: Only those owners electing to participate in the initial well will be allowed to participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected the cash consideration plus royalty provided in Paragraph 6(b) above shall receive no additional cash consideration for subsequent wells, but shall receive the royalty provided therein for subsequent wells. Owners electing or deemed to have elected the consideration in lieu of cash provided in Paragraph 6(c) above shall receive the total royalty provided therein for subsequent wells.

- a. Election on Subsequent Wells: In the event the Operator proposes the drilling of a subsequent well they shall notify those owners who elected to participate in the initial well of their proposal to drill a subsequent well, and said owners will have twenty (20) days from the receipt of said proposal to elect to the Operator whether to participate in said subsequent well or accept the options in lieu of participation provided in Paragraph 6(b) and 6(c) above. The proposal shall include the proposed costs of the subsequent well and owners electing to participate must pay their proportionate share of said costs to the Operator within twenty-five (25) days from the receipt of the proposal. Owners failing to elect within the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have elected not to participate in the subsequent well and shall thereafter receive the consideration provided in Paragraph 6(b) herein for all subsequent wells, unless they have burdens exceeding the total royalty provided in Paragraph 6(b) in which event they will receive the consideration provided in Paragraph 6(c) above, with bonuses to be paid within thirty-five (35) days after the end of the election period. Any time an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall be deemed to have relinquished unto Operator all of such owner's right, title, and interest or claim in and to the proposed well, except for any share in production to which such owner may be entitled by reason of any election hereunder and shall not be allowed to participate in future wells drilled on the drilling and spacing unit covered hereby. That the Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs proposed by Operator for subsequent wells. Operations for any well proposed pursuant to this paragraph must be commenced within 180 days from the date of the proposal, or said proposal is void. In order for a proposal to be valid, all regulatory approval must be obtained, including but not limited to increased density and location exceptions.

A "subsequent well" shall not include or cover any sidetrack operation in the initial unit well or any subsequent well covered hereby when said sidetrack operation is conducted only to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. No parties shall have the right to make any subsequent elections as to any such sidetrack operation described in the preceding sentence. A sidetrack operation, however, for any other reason shall be considered a "subsequent well" and shall fall within the terms set forth herein.

9. Operator: Slawson Exploration Co., Inc.
204 North Robinson, #2300
Oklahoma City, Oklahoma 73102

an owner of the right to drill in said drilling and spacing unit is designated Operator of the unit well and common sources of supply covered hereby, subject to the provision in Paragraph 10 below, and all elections required in Paragraph 6 hereof shall be communicated to said Operator in writing at the address above as required in this Order. All written elections must be mailed and postmarked within the election period as set forth in Paragraph 6 above. That said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

10. Commencement of Operations: That Operator commence operations for the drilling or other operations with respect to the initial well covered hereby within 365 days from the date of this Order and shall diligently prosecute the same to completion in a reasonable prudent manner, or this Order shall be of no force and effect, except as to the payment of bonuses. That Operator may complete said well or wells in several separate zones being pooled. That all prospective zones may not necessarily be completed during the initial completion, but rather, may be done in a reasonably prudent time and manner. In support of the 365 day commencement, Applicant's expert land witness testified that the Operator had issues of rig availability to drill various units and each unit required an advance infrastructure for water disposal.
11. Escrow Account: If any payments of bonus due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow account within ninety (90) days after this Order and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission Rules as to bonus, royalty or other payments deposited into escrow accounts shall be with the applicable holder. Such funds deposited in said escrow accounts shall be held for the exclusive use of and sole benefit of the person entitled thereto. It shall be the responsibility of the Operator to notify all other holders of this provision and of the Commission Rules regarding unclaimed monies under pooling orders. If any payment of bonus due and owing under this Order cannot be made for any other reason, then such bonus shall be paid into an escrow account and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds.
12. Operator Lien: That Operator, in addition to any other rights provided herein, shall have a lien, as set out in 52 O.S., Section 87.1 (e) (1977), on the interest of any owner, subject to this Order, who has elected to participate in the well covered hereby by paying such owner's proportionate part of the costs thereof.
13. Filing of Affidavit: That the Applicant, or its Attorney, shall file with the Secretary of the Commission, within ten (10) days from the date of this Order, an Affidavit stating that a copy of said Order was mailed within three (3) days from the date of this Order, to all parties pooled by this Order, whose addresses are known.

14. Special Finding: That Applicant exercised due diligence to locate each of the respondents subject to the Application in this Cause and that a bona fide effort was made to reach an agreement with each respondent. That the Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interest and to develop the drilling and spacing unit and common sources of supply as a unit; that the Applicant has proposed the drilling of a well on said unit and to develop said common sources of supply. That the Operator, hereinabove named, is the owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply. Operator is requesting the pooling cover the Mississippian and Woodford common sources because of the proximity of zones for the proposed initial horizontal lateral. The initial well is intended to be a Mississippian lateral. The Mississippian is found just above the Woodford common source of supply and actual drilling operations or stimulation techniques may encounter both common sources of supply.
15. Conclusion: The relief requested is necessary to prevent or to assist in preventing the various types of waste of oil or gas prohibited by statute, or any of said wastes, and to protect or assist in protecting the correlative rights of interested parties. Such requested relief, as set forth above, should be granted, and IT IS SO ORDERED.

DONE AND PERFORMED this 8 day of August, 2013.

CORPORATION COMMISSION OF OKLAHOMA

Patrice Douglas

PATRICE DOUGLAS, Chairman

Bob Anthony

BOB ANTHONY, Vice Chairman

Dana L. Murphy

DANA L. MURPHY, Commissioner

ATTEST:

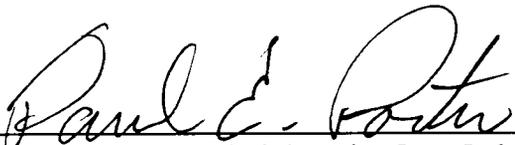
Peggy Mitchell

PEGGY MITCHELL, Commission Secretary

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REPORT OF THE ADMINISTRATIVE LAW JUDGE

THE FOREGOING FINDINGS AND ORDER ARE THE REPORT AND RECOMMENDATIONS OF THE ADMINISTRATIVE LAW JUDGE.



PAUL PORTER, Administrative Law Judge

AUG. 5, 2013
Date



Reviewer

8-6-13
Date

Approved as to form and content: 

EXHIBIT "A"

APPLICANT: SLAWSON EXPLORATION COMPANY, INC.
CAUSE CD NO.: 201303960

RESPONDENTS WITH KNOWN ADDRESSES

1. MBI OIL AND GAS, LLC
P.O. BOX 7
BELFIELD, ND 58622
2. STEWART GEOLOGICAL, INC.
2650 OVERLAND AVE.
BILLINGS, MT 59102
3. CREAGER MINERALS, LTD.
P.O. BOX 8149
MIDLAND, TX 79708-8149
4. MARUJAKABA, LTD.
ACCOUNT PA107
MINERAL ASSET MANAGEMENT, T-6
P O BOX 1600
SAN ANTONIO, TX 78296
5. EARL M. DETER AND SHIRLEY A. DETER,
TRUSTEES OF THE DETER FAMILY TRUST, DATED
12/1/1998
2800 S. PINE ST.
GUTHRIE, OK 73044
6. INA NEAL FANNING
C/O RANDY WESTHOFF
24011 LYON ROAD
PARSONS, KS 67357
7. (SEE BELOW)
8. KENNETH E. FAULKNER
C/O AURELIA FAULKNER
506 WHITCOMB ST., APT 6
LATHROP, MO 64465
9. *WADE L. HECKES, SUCCESSOR TRUSTEE OF THE
DIANNE HUNTER FAMILY TRUST
1603 DAKOTA ST.
NORMAN, OK 73069
10. *CLARENCE E. JAMES, TRUSTEE OF THE
CLARENCE JAMES LIVING TRUST
1600 N. SANTA FE
GUTHRIE, OK 73044
11. *KARL V. MUEGGENBORG, GERALD
MUEGGENBORG AND JUDY H. GRELLNER,
SUCCESSOR CO-TRUSTEES OF THE VINCENT
MUEGGENBORG TRUST
P.O. BOX 144
OKARCHE, OK 73762
12. *KARL V. MUEGGENBORG, GERALD
MUEGGENBORG AND JUDY H. GRELLNER,
SUCCESSOR CO-TRUSTEES OF THE VINCENT
MUEGGENBORG TRUST
11701 NW 119TH
YUKON, OK 73099
13. *KARL V. MUEGGENBORG, GERALD
MUEGGENBORG AND JUDY H. GRELLNER,
SUCCESSOR CO-TRUSTEES OF THE VINCENT
MUEGGENBORG TRUST
P.O. BOX 765
KINGFISHER, OK 73750
14. *MERLIN ALBERT YORK
C/OTED HOLSHOUSER
128 W. HEFNER ROAD
OKLAHOMA CITY, OK 73114
15. *MNS INVESTMENTS, LLC
901 STATE ROAD 77
CLOVIS, NM 88101
16. *ELMER J. DEJARNETT AND ELSIE JANE
DEJARNETT
C/O PATRICIA HUENEFELD
700 PINE ST.
BURDETT, KS 67523
17. *FLOYD RAYMOND YORK
C/O RETA R. YORK
1304 E. MAPLE AVE.
ENID, OK 73701

EXHIBIT "A"
(Continued)

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RESPONDENTS WITH UNKNOWN ADDRESSES

18. IDA FAY VINCENT

7. RONNIE FAULKNER AKA LONNIE FAULKNER
(LAST KNOWN ADDRESS)
1600 S. OCEAN DRIVE, APT 6F
HOLLYWOOD, FL 33019

***Respondents listed for curative purposes only.**

If living, or if deceased, the known and unknown heirs, devisees, executors, administrators, successors, trustees and/or assigns, immediate and remote, of the above named parties.