

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICANT: ARP OKLAHOMA, LLC)
RELIEF SOUGHT: POOLING – PINSCHER #1-16H) CAUSE CD NO. 201307611
LEGAL DESCRIPTION: ALL OF SECTION 16,)
TOWNSHIP 25 NORTH, RANGE 7 WEST,)
GRANT COUNTY, OKLAHOMA) ORDER NO. **622178**

ORDER OF THE COMMISSION

1. Hearing Date and Place: 8:30 a.m. on the 19th day of February, 2014, Jim Thorpe Building, Oklahoma City, Oklahoma.

2. Appearances: RICHARD J. GORE, Attorney, appeared for Applicant and ROGER A. GROVE, Attorney, appeared for SandRidge Exploration and Production, LLC.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and persons. That the Commission has conducted a judicial inquiry into the sufficiency of Applicant's search to determine the names and whereabouts of the respondents who were served herein by publication, and based on the evidence adduced, the Commission finds that the Applicant has exercised due diligence and has conducted a meaningful search of all reasonably available sources at hand. The Commission approves the publication service given herein as meeting statutory requirements and the minimum standards of state and federal due process so that notice has been given in all respects as required by law and by the rules of the Commission.

4. Amendment: None.

5. Relief Requested: To pool and adjudicate the rights and equities of the owners named on Exhibit "A," attached hereto, in the Mississippi Lime common source of supply underlying the 640-acre unit comprised of **all of Section 16, Township 25 North, Range 7 West, Grant County, Oklahoma,** and to designate the Applicant as Operator.

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 on a unit basis and not on a borehole basis in the lands described in the caption hereof for the common source of supply as indicated:

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Mississippi Lime	640 acres	77316

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said owners named in Exhibit "A," attached hereto, are afforded the following elections which said owners may make with all or any part of their interest; however, said owners must make their elections within 20 days from the date of this order in writing to the Operator.

6.1 **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 development and operation costs of the initial well covered hereby, which costs shall include a reasonable monthly charge for overhead which may be changed from time to time at the option of Operator, but shall not exceed what is reasonable, and by paying, as set out below, to **ARP OKLAHOMA, LLC**, such owner's proportionate part of the estimated completed for production cost thereof, or by securing or furnishing security in addition to the election to participate for such payment satisfactory to the Operator within 25 days from the date of this order, as follows:

Completed for production	-	\$1,780,782.00
Completed as a dry hole	-	\$3,682,914.00

provided, however, that in the event an owner elects to participate in said well and thereby agrees to pay his proportionate part of the actual costs thereof but fails or refuses to pay or to secure the payment of such owner's proportionate part of the estimated completed for production 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 highest cash bonus and lowest royalty for which such owner qualifies, as set out in this Paragraph 6 below. Thereupon, the payment of such cash bonus shall be made by **ARP OKLAHOMA, LLC** within 35 days from the date of this order. That the Commission shall retain jurisdiction to determine the reasonableness and necessity of the drilling, completion and operation costs to develop the unit and wells covered hereby.

6.2 **Cash Consideration of \$600.00 Per Acre and 3/16 Total Royalty - Unit Interest:** To accept \$600.00 per acre plus an overriding royalty or excess royalty of $1/16 \times 8/8$ as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid by **ARP OKLAHOMA, LLC** within 35 days from the date of this Order or otherwise as applicable and when so paid shall be satisfaction in full for all rights and interests of such owner in the wells, unit and common sources of supply covered hereby, except for any normal $1/8$ royalty interest, as defined in 52 O.S. Section 87.1(e)(2007); **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 $1/16 \times 8/8$ overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess;** and further provided that in the event the oil and gas interest of any owner is subject to any royalty, overriding royalty or other payments out of production which create a burden on such interest in excess of the normal $1/8$ royalty, plus overriding royalty or excess royalty provided in this paragraph, then in that event, such owner shall not be qualified to elect this option and shall be deemed to have elected the option contained in Paragraph 6.3 below, or if said owner fails to elect then, in that event, such owner shall be deemed to have accepted the option provided in Paragraph 6.3 below. **Further, any party electing to accept the consideration set forth in this paragraph must be able to deliver on the date elections are due an 81.25% net revenue interest.**

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6.3 **Cash consideration of \$500.00 Per Acre and 1/5 Total Royalty - Unit Interest:** To accept \$500.00 per acre plus an overriding royalty or excess royalty of 7.5% x 8/8 as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid by ARP OKLAHOMA, LLC within 35 days from the date of this Order or otherwise as applicable and when so paid shall be satisfaction in full for all rights and interests of such owner in the wells, unit and common sources of supply covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. Section 87.1(e)(2007); 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 7.5% x 8/8 overriding royalty 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 highest cash bonus and lowest royalty for which such owner qualifies. In the event any owner elects to do other than participate in said well or fails to make an election provided above, such owner shall be deemed to have relinquished unto operator all of such owner's right, title, interest, or claim in and to the wells, unit and common sources of supply, 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. **Operator:** ARP OKLAHOMA, LLC
111 West 4th St., Ste. 300
Fort Worth, Texas 76102

an owner of the right to drill in said drilling and spacing unit is designated Operator of the unit wells and common sources of supply covered hereby. ARP OKLAHOMA, LLC has a current plugging bond or financial statement on file with the Corporation Commission.

9. **Commencement of Operations:** That Operator must commence operations for the drilling or other operations with respect to the initial well covered hereby within 180 days from the date of this Order and shall diligently prosecute the same to completion in a reasonably prudent manner, or this order shall be of no force and effect, except as to the payment of bonus. If any payment of bonus, royalty payments or other payments due and owing under this order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus, royalty payments or other payments shall be paid into an escrow account within 90 days after this order and shall not be commingled with any funds of the Applicant or Operator. Provided, however, that the Commission shall retain jurisdiction to grant to financially solid and stable holders an exception to the requirement that such funds be paid into an escrow

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account with a financial institution and permit such holder to escrow such funds within such holder's organization. Responsibility for filing reports with the Commission as required by law and Commission rule as to bonus, royalty or other payments escrowed hereunder shall be with the applicable holder. Such escrowed funds 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 payment or other payments due to such person shall be paid into an escrow account by the holder of such funds.

10. Operator's Lien: That Operator, pursuant to 52 O.S. (2011), Section 87.1 (e) and in addition to any other rights provided herein, shall have a lien on the leasehold estate and the share of production from the unit pooled hereby of any owner subject to the terms of this order who has elected to participate in the initial well covered hereby. Such lien shall secure the payment of the participant's proportionate share of all costs incurred in the development and operation of the unit.

11. Special Finding: That Applicant exercised due diligence to locate each of the respondents subject to this Application and that a bona fide effort was made to reach an agreement with each respondent and that the Applicant has not agreed with all such respondents in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common sources of supply as a unit; that the Applicant has proposed the drilling of the initial well on said unit and to develop said common sources of supply; that the Operator, hereinabove named, is an owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply.

12. Special Provisions: The payment of all bonuses hereunder is subject to Operator's receipt of a fully completed and executed Internal Revenue Service Form W-9 by the applicable respondent.

13. Nonparticipants: The granting of the relief requested by the Applicant shall include the intent of the Applicant to pool and adjudicate the rights and equities of the owners in the tract described herein as to those separate common sources of supply set forth above to be tested by the proposed well on a unit basis and not on a borehole basis for any wells drilled as to the respective separate common sources of supply cited herein. That the election not to participate as a working interest in the proposed initial unit well shall operate to foreclose the interests of the respondents as to elections to participate in any subsequent well that may at some future time be drilled within the subject unit pursuant to this order; and that the initial election made by the respondents herein shall be binding as to the respondents, their assigns, heirs, representatives, agents, or estate for the first and all subsequent wells drilled pursuant to this order.

14. **Participation in Subsequent Wells:** Only those owners who participate in the well drilled hereunder can participate in subsequent wells drilled on the drilling and spacing unit covered hereby. Owners electing or deemed to have elected any option contained herein other than participation shall receive no cash consideration for subsequent wells, but shall receive the excess royalty, if any, provided for herein for subsequent wells. In the event a Participant proposes the drilling of a subsequent well, it shall notify the other participants under this order of its intent to drill a subsequent well, and said owners will have 20 days from the receipt of said notice to elect whether to participate in said subsequent well or accept another option set forth in Paragraph 6 herein. The notice provided by the Proposing Party shall be by certified mail and shall include an AFE containing the proposed costs of the subsequent well, and owners electing to participate must pay to the Operator their proportionate share of said costs within 25 days from the receipt of notice from the Proposing Party. Those owners failing to elect within the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have elected not to participate in the subsequent well and shall be deemed to have elected the highest cash option and lowest net revenue interest set forth in Paragraph 6. herein for which said owner qualifies. Any bonus owing hereunder shall be paid by the proposing party within 35 days from the date of the proposal. Any such proposal shall expire 180 days after the date thereof if operations for the drilling of the well proposed thereby have not commenced. Any time an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall not be allowed to participate in future wells drilled under the terms of this order. That location exception, density or other regulatory authority must be obtained, if necessary, for the drilling of the subsequent well before a valid proposal can be made. If multiple subsequent well proposals are made, the one with the earliest postmark that is a valid proposal hereunder shall control over the other proposals for that 180-day period. Only one well can be validly proposed during any single 180-day period. If the Operator hereunder elects to participate in subsequent operations with any part of its interest, there shall be no change of operator hereunder. That if the Operator hereunder does not elect to participate in the subsequent operation, then the Proposing Party shall become the Operator of said subsequent operation. That the Oklahoma Corporation Commission shall retain jurisdiction to determine the reasonableness of the drilling and completion costs proposed by Applicant for subsequent wells.

The term "subsequent well" for purposes of this paragraph shall not be deemed to include any side-tracking or other operation with respect to the initial unit well, or any subsequent well, and shall not be deemed to be any well that is drilled as a replacement or substitute well for the initial unit well or any subsequent well covered hereby, by virtue of any mechanical or other problems arising directly in connection with the drilling, completing, equipping or producing of the initial unit well or any subsequent well, and no party subject to this order shall have the right to make any subsequent elections as to any such side-tracking, replacement, or substitute well.

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

16. 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.

Bob Anthony
CORPORATION COMMISSION OF OKLAHOMA

~~PATRICE DOUGLAS~~, Chairman

Patrice Douglas
~~BOB ANTHONY~~, Vice Chairman

Dana L. Murphy
DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 4 day of March, 2014.

BY ORDER OF THE COMMISSION:

Peggy Mitchell
PEGGY MITCHELL, Commission Secretary

APPROVED AS TO FORM AND CONTENT:

Richard J. Gore
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E-Mail: rgore@mahaffeygore.com
ATTORNEYS FOR APPLICANT

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing Findings and Order are the Report and Recommendation of the Administrative Law Judge.

Niles Stuck
NILES STUCK,
Administrative Law Judge

February 27, 2014
Date

Michael D. Norris
REVIEWER

EXHIBIT "A"
CAUSE CD NO. 201307611

As of 2/19/14

ARP OKLAHOMA, LLC, POOLING RESPONDENT LIST
PINSCHER #1-16H WELL, ALL OF SECTION 16, TOWNSHIP 25 NORTH, RANGE 7 WEST, GRANT
COUNTY, OKLAHOMA

1. Atinum Midcon I, LLC
333 Clay Street, Suite 700
Houston, TX 77002
2. Chesapeake Exploration, LLC
P. O. Box 18496
Oklahoma City, OK 73154
3. Repsol E&P USA, Inc.
2001 Timberloch Place, Suite 3000
The Woodlands, TX 77380
4. SandRidge Exploration and
Production, LLC
123 Robert S. Kerr Ave.
Oklahoma City, OK 73102
5. TipTop Oil & Gas US LLC
P.O. Box 2406
Oklahoma City, OK 73101

ADDRESSES UNKNOWN

CURATIVE
ADDRESS UNKNOWN

- U 1. **CURATIVE/UNLOCATABLE**
Elsie Hardiman, Heirs of (Dec'd)
ADDRESS UNKNOWN
- U 2. **CURATIVE/UNLOCATABLE**
Henry A. Hall, Heirs of (Dec'd)
ADDRESS UNKNOWN

AND, IF ANY OF THE FOREGOING BE
DECEASED, THE UNKNOWN HEIRS,
EXECUTORS, ADMINISTRATORS, DEVISEES,
TRUSTEES AND ASSIGNS, IMMEDIATE AND
REMOTE, OF ANY SUCH PARTY

CURATIVE, DISMISSED AND/OR UNLOCATABLE
RESPONDENTS ARE IDENTIFIED AS SUCH
ABOVE.