

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: CIMAREX ENERGY CO.

RELIEF SOUGHT: POOLING

LEGAL DESCRIPTION: SECTION 11,
TOWNSHIP 10 NORTH, RANGE 8 WEST,
GRADY COUNTY, OKLAHOMA

CAUSE CD NO.

201400925-T

ORDER NO.

622941

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., 10th day of March, 2014, Eastern Regional Office, 440 South Houston, Tulsa, Oklahoma 74127.

2. Appearances: Ron M. Barnes, Attorney, appeared for the Applicant.

3. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons.

4. Amendment: At hearing the time to commence unit operations was amended to 180 days.

5. Relief Requested: To pool and adjudicate the rights and equities of the owners named in Exhibit "A" attached hereto underlying the lands described in the caption hereof for the common sources of supply described below and to designate the Applicant or some other party as operator.

6. Relief Granted and Election Period: 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 common sources of supply as indicated.

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Hoxbar	640-acre	101031
Deese	640-acre	101031
Atoka	640-acre	610594
Mississippian	640-acre	610594
Woodford	640-acre	610594
Hunton	640-acre	101031

Said owners named in Exhibit "A" attached hereto must make one or any combination of the following elections within 20 days from the date of this Order. In the event a respondent makes an election to accept the bonus provision, then that respondent shall include their social security

or federal tax I.D. number along with the election. If the respondent fails to include their social security or federal tax I.D. number Cimarex Energy Co. will not issue a check until such information is provided.

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 cost of the well and unit covered hereby and by paying, as set out below, to Operator such owner's proportionate part of the estimated completed for production cost thereof, or by providing the Operator with an irrevocable letter of credit for such payment satisfactory to the Operator, within 25 days from the date of this Order, as follows:

Completed as a dry hole	\$3,134,000
Completed for production	\$8,168,000

Provided further, however, that in the event an owner elects to participate in said unit well by paying his proportionate part of the costs thereof and fails or refuses to pay or provide the Operator with an irrevocable letter of credit for such owner's proportionate part of the completed for production cost as set forth herein, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to accept the cash bonus plus excess or overriding royalty for which because of burdens such owner's interest qualifies as set out in paragraph 6.2 below; provided if because of burdens such owner's interest does not qualify for a cash option, then such owner shall be deemed to have accepted the no cash option provided in paragraph 6.3 below. Thereupon, the payment of such cash bonus shall be made by Operator within 35 days after the last day of which such defaulting owner, under this Order, should have paid his proportionate part of such costs or should have made satisfactory arrangements for the payment thereof.

In the event a party elects to participate in the well, the Operator will carry well control insurance on behalf of the non-operators unless proof of insurance is provided to Cimarex Energy Co. prior to the drilling of the well.

6.2 **Cash Consideration:** To accept \$1,200 per acre plus a total royalty of 3/16 as a fair, reasonable, and equitable bonus to be paid unto each owner who elects not to participate in said unit by paying such owner's proportionate part of the cost thereof; such cash bonus to be paid within 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, provided, however, in the event that 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.

6.3 Consideration In Lieu of Cash: To accept in lieu of such cash bonus plus an excess royalty, an owner may elect to have delivered unto him **no cash and a total royalty of 1/4 of 8/8**, as his just and fair share of the production from such unit. Provided, however, in the event that 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 1/8 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 forth in paragraph 6 above, then such owner shall be deemed to have accepted the cash bonus plus excess or overriding royalty for which because of burdens such owner's interest qualifies as set out in paragraph 6.2 above, provided in the event such owner's interest because of burdens attached to such interest does not qualify for the option provided in paragraph 6.2 above, then such owner shall be deemed to have accepted the no cash option provided for in paragraph 6.3 above; in the event any owner elected to do other than participate in said unit by paying his pro rata share of the costs of the unit well thereof, 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 unit, 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: **Cimarex Energy Co.**
Attn: Mike Hofstrom
202 S. Cheyenne Avenue, Ste. 1000
Tulsa, OK 74103-3001

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 and all elections required in paragraph 6 hereof should be communicated to said Operator in writing at the address above as required in this Order. All written elections must be mailed postmarked within the election period as set forth in paragraph 6; provided such election may be mailed certified mail with return receipt requested in which event such certified election must be deposited in the post office within the election period set forth in paragraph 6. That said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

9. Commencement of Operations: That Operator shall commence operations for the drilling or other operations with respect to the unit 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 due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then said bonus shall be paid into an escrow

account within ninety (90) days after this Order and shall not be commingled with any funds of the Applicant or Operator. Any royalty payments or other payments due to such person shall be paid into an escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and Commission rule as to bonus, royalty or other payments deposited into escrow accounts shall be with the applicable holder. Such funds deposited in said escrow accounts shall be held for the exclusive use of, and sole benefit of, the person entitled thereto. It shall be the responsibility of the Operator to notify all other holders of this provision and of the Commission rules regarding the unclaimed monies under pooling orders.

10. Participation in Subsequent Operations: Only those owners electing to participate in the initial well drilled hereunder as provided above will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common source of supply covered hereby. Owners electing or deemed to have elected the cash option plus excess or overriding royalty provided in paragraph 6.2 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 no cash option provided in paragraph 6.3 above shall receive the royalty provided therein for subsequent wells. The term subsequent well for the purposes of paragraphs 10 and 11 shall not be deemed to include any side-tracking or other operation with respect to the initial unit 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.

11. Election on Subsequent Operations: In the event Cimarex Energy Co. ("Cimarex") proposes the drilling of a subsequent well it shall notify those owners who elected to participate in the initial well drilled hereunder of its intent to drill a subsequent well and said owners will have 20 days from the date of receipt of said notice to elect whether to participate in said subsequent well. The notice provided by Cimarex shall include the estimated dry hole costs and estimated completed well costs of the subsequent well and owners electing to participate must pay, or make satisfactory arrangements with Cimarex to secure the payment, of their proportionate share of said complete well costs within 25 days from the date of receipt of notice from Cimarex. Those owners electing not to participate or those owners failing to elect within the period provided or those owners electing to participate but failing to pay within the period provided shall be deemed to have elected not to participate in the subsequent well and shall thereafter receive the highest cash option and lowest net revenue interest set forth in paragraph 6 above for which said owner qualifies for all subsequent wells. Anytime an owner elects or is deemed to have elected not to participate in a subsequent well, then that owner shall not be allowed to participate in future wells drilled on the drilling and spacing units covered hereby. Cimarex shall commence the subsequent well within 180 days of the proposal for same or the proposal shall expire. That the Oklahoma Corporation Commission shall retain jurisdiction over

the drilling and completion costs proposed by Cimarex for subsequent wells.

12. Operator Lien: That Operator, in addition to any other rights provided herein, should have a lien, as set out in 52 O.S., Section 87.1(e)(2001), 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. 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 interest and to develop the drilling and spacing unit 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 an owner of the right to drill on said drilling and spacing unit and to develop and produce said common sources of supply.

14. 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.

15. Cimarex Energy Co. is proposing to develop the separate common sources of supply in the drilling and spacing unit covered hereby in the aggregate as a group or unit. The Applicant intends to evaluate and develop, as a reasonably prudent operator under the same or similar circumstances, all of the separate common sources of supply covered hereby as each will be penetrated in the initial unit well involved herein and valuable information regarding these separate common sources of supply will be obtained through the risk assumed and the expenses incurred in connection with such initial unit well. Furthermore, the bonus values testified to are based upon consummated oil and gas leases which cover all of the separate common sources of supply herein. Therefore, as set forth in the Application filed herein, Applicant believes, and the evidence presented herein shows, that it is appropriate that this pooling order treat all of the separate common sources of supply involved here in the aggregate as a group of unit. Cimarex Energy Co. 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 units involved herein.

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.

CORPORATION COMMISSION OF OKLAHOMA

Bob Anthony
BOB ANTHONY, Chairman

Patrice Douglas
PATRICE DOUGLAS, Vice Chairman

Dana L. Murphy
DANA L. MURPHY, Commissioner

DONE AND PERFORMED this 19 day of March, 2014.

BY ORDER OF THE COMMISSION:

Peggy Mitchell
PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing Findings and Order is the report and recommendation of the Administrative Law Judge.

APPROVED:

Kathleen M. McKeown 3/12/14
KATHLEEN M. MCKEOWN Date
ADMINISTRATIVE LAW JUDGE

REVIEWER Archie Johnson 3-12-14
Date

APPROVED AS TO FORM AND CONTENT:

Ron M. Barnes
RON M. BARNES, OBA #534

EXHIBIT "A"

- | | |
|--|--|
| 1. Faye L. Haffner
427 W. Broadway
Okeene, OK 73763 | <u>CURATIVE</u>

None |
| 2. Judith H. Worley
Rt #2, Box 168
Okeene, OK 73763 | And, If Any Of The Foregoing Be
Deceased, The Unknown Heirs, Executors,
Administrators, Devisees, Trustees And
Assigns, Immediate And Remote, Or Any
Such Part |
| 3. Sharon L. Mullins
PO Box 743
Canton, OK 73724 | |
| 4. Thomas Press Mahaffey
PO Box 500
Marlow, OK 73055 | |
| 5. Melissa Lu Mahaffey
1016 Trish Lane
Norman, OK 73072-3707 | |
| 6. Charles Gregory Mahaffey
507 W. Arapahoe St.
Marlow, OK 73055 | |
| 7. Amanda Sue Irion Heger
1404 County Street 2983
Blanchard, OK 73010-3181 | |

ADDRESS UNKNOWN

Molly Bouse
Presumably deceased