

Jan
1-9-17

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT:	GASTAR EXPLORATION INC.)	
)	CAUSE CD NO.
RELIEF SOUGHT:	POOLING)	
)	201604747
LEGAL DESCRIPTION:	SECTION 14,)	
	TOWNSHIP 20 NORTH,)	ORDER NO.
	RANGE 8 WEST,)	
	GARFIELD COUNTY, OKLAHOMA)	<u>659776</u>

ORDER OF THE COMMISSION

This cause came on for hearing before an Administrative Law Judge for the Corporation Commission of Oklahoma on the 20th day of December, 2016, in the Commission Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given as required by law and the Rules of the Commission for the purpose of hearing, taking testimony and reporting the findings and recommendations to the Commission.

Karl F. Hirsch, attorney, appeared for Applicant; and, Ron M. Barnes and Grayson Barnes, attorneys, appeared for Staghorn Petroleum, LLC.

The Administrative Law Judge heard the cause and filed a report with the Commission, which report has been considered, and the Commission, therefore, finds as follows:

FINDINGS

1. This is the Application of Gastar Exploration Inc. for an order pooling interests and adjudicating rights and equities of oil and gas owners in the Mississippian, Woodford and Hunton common sources of supply underlying Section 14, Township 20 North, Range 8 West, Garfield County, Oklahoma, a 640-acre horizontal well drilling and spacing unit as established by Order No. 634256.

2. At the time of the hearing, the Application was amended to dismiss the following respondents: None. At the time of the hearing, the Application was amended to dismiss the Hunton common source of supply.

3. Notice has been given as required and the Commission has jurisdiction of the subject and the persons. The Commission conducted an adjudicative inquiry into the sufficiency of the search to ascertain the whereabouts of the parties entitled to notice and upon the adjudicative inquiry into the factual issue of due diligence, the Commission finds that a meaningful search of all reasonably available sources at hand was conducted. Furthermore, after examining the record herein, including the notice by publication, affidavits of publication and affidavits of mailing, the Commission finds the process to be proper and that notice has been given in all respects as required by law and the Rules of the Commission.

4. It is anticipated the initial well will be a Mississippian horizontal well and future horizontal wells will be drilled in the unit. The Woodford common source of supply is found immediately below the Mississippian. The horizontal portion of the wellbore may penetrate the Woodford if it drills out of the Mississippian. Also, the fracture stimulation of the Mississippian may affect the Woodford. In addition, the bonus values reflected herein are based upon oil and gas leases and transactions which cover all formations and all depths, not just the common sources of supply named herein. Therefore, all common sources of supply named in this pooling should be treated in the aggregate as a group or unit.

5. Applicant is the owner of the right to drill wells on said drilling and spacing unit and to develop and produce said common sources of supply, has made a bona fide effort to reach an agreement with all of the other such owners in such drilling and spacing unit, as set forth on Exhibit "A", to pool their interests and to develop the drilling and spacing unit and common sources of supply as a unit, and the Commission should issue an order requiring such owners to pool and develop the drilling and spacing unit and common sources of supply covered hereby as a unit.

6. Gastar Exploration Inc. proposes to drill a well in Section 14, Township 20 North, Range 8 West, Garfield County, Oklahoma, to a depth sufficient to test the Mississippian and Woodford common sources of supply, and that to protect correlative rights, all owners should be required to pool and develop the unit and common sources of supply covered hereby as a unit, upon the terms and conditions set out in "Order" below, all of which are found hereby, after a consideration of the substantial evidence in this cause, to be just and reasonable and will afford each owner in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production from the unit.

7. In the interest of the prevention of waste and the protection of correlative rights, this Application should be granted, and the rights of all owners pooled and adjudicated.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. Gastar Exploration Inc. proposes to drill a well in Section 14, Township 20 North, Range 8 West, Garfield County, Oklahoma, a horizontal well drilling and spacing unit for the Mississippian and Woodford common sources of supply, and to develop said unit and the common sources of supply thereunder as a unit, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated and determined.

2a. Estimated well costs are:

Completed as a dryhole:	\$1,486,700.00
Completed for production:	\$3,796,570.00

2b. **\$1,200.00 per acre cash bonus and a total 1/8 royalty.** \$1,200.00 per acre, in addition to the statutory 1/8th royalty, is a fair, reasonable and equitable consideration to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the costs thereof; such cash bonus should be satisfaction in full for all rights and interests of such owner in the well and unit covered thereby, except for any normal 1/8th royalty interest as defined in 52 O.S. § 87.1(e); provided, that any party unable to deliver a 7/8th interest shall be required to elect one of the following options or to participate in the drilling of the well;

2c. **\$1,000.00 per acre cash bonus and a total 3/16 royalty.** \$1,000.00 per acre, plus a proportionate share of an overriding or excess royalty of 1/16th of 8/8ths, in addition to the statutory 1/8 royalty, is a fair, reasonable and equitable consideration to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the costs thereof; such cash bonus and overriding or excess royalty should be satisfaction in full for all rights and interests of such owner in the well and unit covered hereby, except for any normal 1/8th royalty interest as defined in 52 O.S. § 87.1(e); provided, that any party unable to deliver a 13/16th interest shall be required to elect the following option or to participate in the drilling of the well;

2d. **\$750.00 Per acre cash bonus and a total 1/5 royalty.** \$750.00 per acre, plus a proportionate share of an overriding or excess royalty of 7.5% of 8/8ths, in addition to the statutory 1/8 royalty, is a fair, reasonable and equitable consideration to be paid unto each owner who elects not to participate in said well by paying such owner's proportionate part of the costs thereof; such cash bonus and overriding or excess royalty should be satisfaction in full for all rights and interests of such owner in the well and unit covered hereby, except for any normal 1/8th royalty interest as defined in 52 O.S. § 87.1(e).

Provided, however, in the event the oil and gas interests of any owner is subject to any royalty, overriding royalty or other payments out of production which create a burden on such interests in excess of the normal 1/8th royalty defined above, then such excess royalty, overriding royalty or other payment out of production should be charged against the overriding royalty as herein above set forth, and the same should be reduced by the amount of any such excess.

3. Any owner of the right to drill in said drilling and spacing unit who has not agreed with Applicant to develop said unit and common sources of supply shall be afforded the following election as to all or any portion of said owner's interest:

3a. 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 costs of the well covered hereby, and by paying, as set out herein, to Applicant, such owner's proportionate part of the estimated completed for production costs thereof as set out in paragraph 2a above, or by securing or furnishing security for such payment satisfactory to Applicant; in all events, such owner's cost in said well should not exceed his proportionate part of the actual or reasonable costs thereof which

should be determined by the Commission in the event there is a dispute as to such costs; the payment of such owner's proportionate part of the estimated costs of said well, or the securing of such costs or the furnishing of security therefore, as aforesaid, should be accomplished as follows: Applicant shall give to all owners who timely elect to participate a notice of intent to spud no more than 60 days prior to the intended spud date of the well; said owners shall have 20 days from the date of receipt of that notice of intent to spud to pay such owner's proportionate part of the estimated completed for production well costs to Applicant; such owner's proportionate part of the costs of and the production from such well and unit to be in proportion to the number of acres such owner has in the unit; or

3b. To receive the cash bonus, plus share of production as set out in paragraph 2b above, which cash bonus shall be paid or tendered by Applicant, if same can be paid or tendered, within 35 days from the date of this order; or

3c. To receive the cash bonus, plus share of production as set out in paragraph 2c above, which cash bonus shall be paid or tendered by Applicant, if same can be paid or tendered, within 35 days from the date of this order; or

3d. To receive the cash bonus, plus share of production as set out in paragraph 2d above, which cash bonus shall be paid or tendered by Applicant, if same can be paid or tendered, within 35 days from the date of this order.

Provided, however, prior to the payment of bonus consideration and/or royalty to a respondent, said respondent must complete and furnish to Applicant a Federal Form W-9. If a respondent does not provide Applicant with a Federal Form W-9, Applicant may pay their bonus consideration and/or royalty into an escrow account until such time as the appropriate Form W-9 has been furnished.

4. Each owner of the right to drill in said drilling and spacing unit to said common sources of supply covered hereby who has not agreed to develop said unit as a unit, other than Applicant, should be required to select which of the alternatives set out in paragraph 3 above, such owner accepts, in writing, within twenty (20) days from the date of this order; in the event any owner fails to elect in the time and in the manner as set out above, which of the alternatives set forth in paragraph 3 above any such owner accepts, then such owner shall be deemed to have accepted the cash bonus, plus the share of production, as set out in paragraph 2b above; in the event any owner elects to participate in the well or unit covered hereby, but fails to pay such owner's proportionate part of the estimated well costs in the time and in the manner as set forth in this order, then such owner shall be deemed to have accepted the cash bonus, plus the share of production, as set out in paragraph 2b above; if an owner so fails to elect, or having elected to participate fails to timely pay its share of the well costs, all as set forth herein, and if that owner's interest 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 1/8th royalty provided in paragraph 2b above, then such owner shall be deemed to have accepted the option set forth in paragraph 2c above; if an owner so fails to elect, or having elected to participate fails to timely pay its share of

the well costs, all as set forth herein, and if that owner's interest 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 1/8th royalty plus overriding or excess royalty provided in paragraph 2c above, then such owner shall be deemed to have accepted the option set forth in paragraph 2d above; in the event any owner elects to do other than participate in said well by paying his proportionate share of the costs thereof, or fails to make an election provided above, or having elected to participate fails to pay such owner's proportionate part of the completed for production well costs as provided herein, such owner shall be deemed to have relinquished unto Applicant all of such owner's right, title, interest or claim in and to the well and unit, except for any normal 1/8th royalty interest, defined above, or other share in production to which such owner may be entitled by reason of an election hereunder.

5. Only those owners electing to participate in the initial well drilled hereunder will be allowed to participate in subsequent wells drilled on the drilling and spacing unit and common sources of supply covered hereby. Substitute wells and sidetracking shall not be considered subsequent wells. Owners electing or deemed to have elected the cash consideration plus excess royalty provided in paragraphs 2b, 2c or 2d above, for the initial well shall thereafter receive no additional cash consideration for subsequent wells, but shall receive the royalty it originally elected to receive or was deemed to have elected to receive.

6. In the event an owner with the right to participate in subsequent wells proposes a subsequent operation, that owner shall notify those owners who elected to participate in all prior operations hereunder of its intended subsequent operation and said owners will have twenty (20) days from the receipt of said notice to elect whether to participate in said subsequent operation or elect one of the alternatives set forth in paragraph 2 above. The notice provided shall include an AFE describing the estimated costs of the subsequent well and owners electing to participate must pay, or make satisfactory arrangements with the Operator to secure the payment of their proportionate share of said completed well costs within twenty-five (25) days from the receipt of said notice. Those owners failing to elect within the period provided or those owners electing to participate but failing to pay their share of costs within the period provided shall be deemed to have elected not to participate in the subsequent operation and shall receive the option set forth in paragraph 2 above consisting of the highest cash bonus for which such owner's interest qualifies depending on the excess burdens attached to such interest. If any cash bonus is due and payable by reason of an election or deemed election under this paragraph, said cash bonus shall be paid or tendered by Applicant within thirty-five (35) days from the date of said notice. Anytime an owner elects or is deemed to have elected not to participate in a subsequent operation, then that owner shall not be allowed to participate in future operations on the drilling and spacing units covered thereby provided a subsequent well is timely commenced as described in this Order. The Commission shall retain jurisdiction over a dispute arising over the costs of any subsequent operation. Any proposal made under this provision shall expire after one hundred and eighty (180) days if the subsequent operation has not been commenced and the parties shall be placed in the position they were prior to the proposal as if the proposal had never been made.

7. Operator, in addition to any other rights provided herein, shall have a lien as set out in 52 O.S. § 87.1(e) 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.

8. 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 ninety (90) days after this order and shall not be commingled with any funds of 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 account 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 the sole benefit of, the person entitled thereto. It shall be the responsibility of Operator to notify all other holders of this provision and of the Commission rules regarding unclaimed monies under pooling orders.

9. Gastar Exploration Inc., 1331 Lamar, Suite 650, Houston, Texas 77010, 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. Said Operator has a current plugging bond or financial statement on file with the Corporation Commission.

Gastar Exploration Inc. is designated as the party to whom all elections required in paragraph 4 hereof shall be communicated 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 4. Payment of all costs required herein shall be made to Operator and payment of all bonuses, if any, required herein shall be made by Operator.

10. Operator must commence operations for the drilling of the initial unit well within one (1) year from the date of this order and to diligently prosecute the same to completion in a reasonably prudent manner or this order shall be null and void, except as to the payment of cash bonuses.

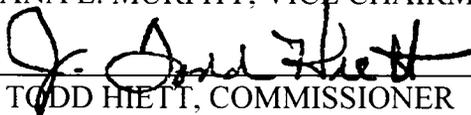
11. Applicant, or its Attorney, shall file with the Secretary of the Commission within ten (10) days from the date of this order, an affidavit stating that a copy of this order was mailed within three (3) days from the date of this order to all parties pooled by this order whose addresses are known.

12. 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.

CORPORATION COMMISSION OF OKLAHOMA

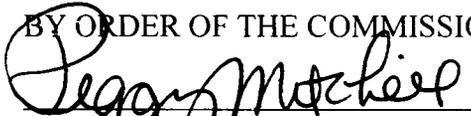


BOB ANTHONY, CHAIRMAN


DANA L. MURPHY, VICE CHAIRMAN


J. TODD HIETT, COMMISSIONER

DONE AND PERFORMED THIS 11 DAY OF January, 2017.

BY ORDER OF THE COMMISSION


PEGGY MITCHELL, Secretary

Approved: 

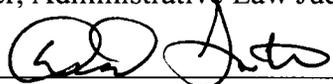
Karl F. Hirsch, OBA No. 4232

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings and Order are the report and recommendation of the Administrative Law Judge.

APPROVED:


Michael Porter, Administrative Law Judge


Date


Reviewer
1-5-17

Date

**RESPONDENTS WITH KNOWN
ADDRESSEES:**

1. Allen C. Kincheloe, Trustee of the Allen C. Kincheloe Living Trust dated June 17, 2005
2313C Nantucket Dr
Houston, TX 77057
2. Armada Energy Corp.
4500 Memorial Cir
Oklahoma City, OK 73142
3. B C Production, LLC
5722 Covey Run Dr.
Edmond, OK 73034-9475
4. Black Hawk Royalty IV LP, an Oklahoma Limited Partnership
7045 N Highway 81
Duncan, OK 73533
5. Bradley A. Gungoll, Trustee of the Claudia Ann Gungoll Henigman Irrevocable Trust dated the 7th day of July, 2015
PO Box 1549
Enid, OK 73702
6. C A H Oil & Gas Company LLC
c/o Catherine A Hughes
PO Box 6209
Enid, OK 73702
7. Carl E Gungoll Exploration
PO Box 18466
Oklahoma City, OK 73154-0466
8. Carmen Aviles
7916 Military Pkwy
Dallas, TX 75227
9. Carole J. Drake, LLC
1505 Buttram Rd
Oklahoma City, OK 73120
10. Chalfant, Inc.
PO Box 3123
Midland, TX 79702
11. Chaparral Energy, L.L.C.
701 Cedar Lake Blvd
Oklahoma City, OK 73114
12. Crow Creek Energy II, LLC
320 S Boston Ave Ste 1000
Tulsa, OK 74103
13. D & T Gungoll Exploration, L.L.C.
PO Box 6209
Enid, OK 73702
14. D'Ayree Investment LLC
PO Box 512
Kingfisher, OK 73750
ADDRESS UNKNOWN
15. Desdive Milacek
PO Box 603
Enid, OK 73702
16. Dynasty Minerals, LLC
5025 Gaillardia Corporate Pl Ste D
Oklahoma City, OK 73142
17. Edward Oil Company
PO Box 202
Youngsville, PA 16371-0202
18. Elmira Jane Gungol
509 Oklahoma Street
Drummond, OK 73735
ADDRESS UNKNOWN

19. ERB Investments, LLC
4500 Memorial Cir
Oklahoma City, OK 73142
20. Finnegan Family Associates LLC
PO Box 581
Enid, OK 73702
ADDRESS UNKNOWN
21. Freedom Royalties, LLC
143 N State St Ste 1
Rigby, ID 83442
ADDRESS UNKNOWN
22. Guest PS Investments LLC
PO Box 2176
Glenwood Springs, CO 81602
23. Gungoll Lepore Oil & Gas
Company LLC
c/o Christine Lepore
PO Box 6209
Enid, OK 73702
24. Henry Gungoll Operating, Inc
PO Box 6209
Enid, OK 73072
25. Hinkle Oil and Gas, Inc.
5600 N May Ave Ste 295
Oklahoma City, OK 73112-4275
26. Jack A. Abels
575 Miami Bluff Ct
Loveland, OH 45140
27. Jack B. Searle & Tamara D. Searle
841 Hersch Ave
Pagosa Springs, CO 81147
28. JAL Interests, LLC
P.O. Box 2432
Banner Elk, NC 28604-2432
29. Jan A. Choate and Judson Choate,
Co-Trustees of the RJC Family
Revocable Trust
14813 Hollyhock Dr
Oklahoma City, OK 73142
30. Jeffrey J. Brown and Tracy J. Brown
2801 Scissortail Ln
Enid, OK 73703
31. John L. Arrington, Jr.
100 West 5th Street, Suite 1000
Tulsa, OK 74103
32. Kansas City Min-Royalty Company
6520 N Western Ave
Oklahoma City, OK 73116
33. Kevin W. Hoog
333 S Westminster Rd
Arcadia, OK 73007
34. LaFevers Family LLC
Mark Springer, Manager
5387 S Sheridan Rd
Tulsa, OK 74145
35. Lightning Royalty, LLC
PO Box 1788
Ardmore, OK 73402
36. Lisa C. Kelly
4440 N Pagosa Blvd
Pagosa Springs, CO 81147
37. Mark Bryan and Bonnie Bryan
P.O. Box 112
Beulah, CO 81023-0112
38. Monsees Enterprises LLC
PO Box 1294
Enid, OK 73702

39. Murray Street Investments, LLC
PO Box 1341
Edmond, OK 73083
40. Myra B. Ward
PO Box 1187
Enid, OK 73702
41. New Directions IRA Inc.
f/b/o Mark B. Floyd IRA
1070 W Century Dr Ste 101
Louisville, CO 80027
42. OGI Inc
841 Hersch Ave
Pagosa Springs, CO 81147
43. Pagosa Minerals, L.L.C.
7621 NW 133rd Pl
Oklahoma City, OK 73142
44. Pagosa Resources, LLC
7621 NW 133rd Pl
Oklahoma City, OK 73142
45. Reid B. Kelly
4440 N Pagosa Blvd
Pagosa Springs, CO 81147
46. Richard E. Walls & Ona F. Walls,
Trustees of the Walls Family Trust
4577 NW Red Bay Cir
Jensen Beach, FL 34957
47. Richard L. Beasley Family Trust
4500 Memorial Cir
Oklahoma City, OK 73142
48. Rod W. Ylitalo
PO Box 10102
Enid, OK 73706
ADDRESS UNKNOWN
49. Rodney Ed Gungoll
101 Park Ave Ste 1400
Oklahoma City, OK 73102
50. Ryan Ace Searle
841 Hersch Ave
Pagosa Springs, CO 81147
51. S H G Properties LLC
PO Box 6209
Enid, OK 73702
52. Safe -N- Sound Land Company, LLC
1405 4th Ave NW PMB 254
Ardmore, OK 73401
53. Sage Royalties, L.L.C.
PO Box 368
Ardmore, OK 73402
54. Six S Energy Group, LLC
PO Box 20474
Oklahoma City, OK 73156-0474
55. Spartan Resources, LLC
4013 NW Expressway Ste 690
Oklahoma City, OK 73116
56. The Gungoll Family Limited
Partnership
101 Park Ave Ste 1400
Oklahoma City, OK 73102
57. Tommy L Gungoll and Georgiana
L Gungoll
1845 Pawnee St
Enid, OK 73703
58. Treyco, LLC
PO Box 419
Hennessey, OK 73742

59. William Lee Beasley Living Trust
4500 Memorial Cir
Oklahoma City, OK 73142

**RESPONDENTS WITH UNKNOWN
OR UNLOCATABLE ADDRESSES
(with last known addresses if available):**

60. Edward Hanson

And if any of the above are deceased or no longer in business, their unknown heirs, devisees, executors, administrators, trustees, successors and assigns, immediate and remote.