

Handwritten initials/signature

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT:	RED BLUFF RESOURCES)	
	OPERATING LLC)	
)	Cause CD No.
RELIEF SOUGHT:	POOLING)	
)	201904877
LEGAL	SECTION 36)	
DESCRIPTION:	TOWNSHIP 21 NORTH)	Order No.
	RANGE 13 WEST OF THE IM)	
	MAJOR COUNTY, OKLAHOMA)	<u>705106</u>

ORDER OF THE COMMISSION

This Cause came on for hearing before Michael Norris, Administrative Law Judge for the Corporation Commission of Oklahoma, on October 21, 2019, in the assigned Administrative Law Judge's courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission.

Emily P. Smith, attorney, appeared for Applicant, Red Bluff Resources Operating LLC. No other appearances or protests were filed or announced.

FINDINGS

1. This is an application for an order pooling the interests, designating an Operator, providing for the development of the unit and adjudicating the rights and equities of oil and gas owners in the Mississippian common source of supply underlying the 640-acre horizontal drilling and spacing unit consisting of Section 36, Township 21 North, Range 13 West of the IM, Major County, Oklahoma, as spaced by Order No. 696799.

2. Notice has been given by publication as required by the Commission rules and Affidavits of Publication have been filed. Those owners whose names and addresses were attainable have been given actual notice by certified mail and regular mail. An adjudicative inquiry was conducted by the Administrative Law Judge into the sufficiency of the search to ascertain the names and addresses of all owners and if a diligent effort had been made to locate all affected interest owners. Applicant has made a meaningful and diligent search of all reasonably available sources at hand to ascertain those parties that are entitled to notice and the whereabouts of those entitled to notice but who were served only by publication. The Commission finds the process to be proper and has jurisdiction over the subject matter and the parties. The Respondents to this matter are shown on the Exhibit "A" attached hereto.

3. The Applicant is the owner of an interest in the area covered by the Application and Applicant/Operator has furnished the Oklahoma Corporation Commission with a plugging agreement and surety or financial statement as required by law and by the rules of the Commission.

4. The Applicant, owner of the right to drill a well on said drilling and spacing unit and to develop and produce said common source of supply, have not agreed with all of the other such

owners in such drilling and spacing unit to pool their interests and to develop the drilling and spacing unit and common source of supply as a unit; that Applicant made a bona fide effort to reach an agreement with each Respondent; and the Commission should issue an order requiring such owners to pool and develop the drilling and spacing unit and common source of supply covered hereby on a unit basis.

5. The Applicant proposes to develop said unit and the common source of supply therefor as a unit by the drilling of a well or wells thereon and, to avoid the drilling of unnecessary wells and to protect correlative rights, all owners should be required to pool and develop the unit and common source of supply covered hereby as a unit, upon the terms and conditions set out in the "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 their just and fair share of the production from the unit.

6. 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. Applicant proposes to develop Section 36, Township 21 North, Range 13 West of the IM, Major County, Oklahoma, as a 640-acre horizontal drilling and spacing unit for the Mississippian common source of supply, and the rights and equities of all oil and gas owners covered hereby are pooled, adjudicated and determined as set forth below.

2. a. The estimated well costs are:

Completed for production - **\$4,272,726**
Completed as a dry hole - **\$1,749,398**

b. **\$750 per acre cash, plus an overriding or excess royalty of 1/16 (for a total royalty of 3/16)**, is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development by paying such owner's proportionate part of the cost thereof. Such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the drilling and spacing unit covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. § 87.1 (e).

c. **\$500 per acre cash, plus an overriding or excess royalty of 7.5% (for a total royalty of 1/5)**, is a fair, reasonable and equitable bonus to be paid unto each owner who elects not to participate in said development by paying such owner's proportionate part of the cost thereof. Such cash bonus plus overriding or excess royalty, when paid as set out in this Order, is satisfaction in full for all rights and interests of such owner in the drilling and spacing unit covered hereby, except for any normal 1/8 royalty interest as defined in 52 O.S. § 87.1 (e).

PROVIDED, however, that any excess royalty, overriding royalty or other payments out of production shall be charged against the overriding or excess royalty, or overriding royalty, as herein above set forth, and same shall be reduced by the amount of any such excess.

PROVIDED, further, that in the event that 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 burdens set out in paragraph 2b above, the owner of any such interest shall not be entitled to the option provided in paragraph 2b above, but shall be required to either participate or accept the option provided in paragraph 2c.

3. 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 paragraphs 3a, 3b or 3c herein such owner accepts.

- a. 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 such development and operation of the unit and common sources of supply covered hereby, which shall include a reasonable monthly charge for supervision and overhead, and, as to the initial well proposed hereunder, by paying, as set out herein, to Applicant such owner's proportionate part of the estimated completed for production cost of the proposed well, as set out in paragraph 2a above, or by furnishing security for such payment satisfactory to the Applicant. In all events, such owner's cost in said well shall not exceed its proportionate part of the actual or reasonable cost thereof which shall be determined by the Commission in the event there is a dispute as to such cost. The payment of such owner's proportionate part of the estimated completed for production cost of said well, or the furnishing of security therefor, shall be accomplished within 25 days from the issuance date of this Order, such owner's proportionate part of the costs of, and of the production from, such well and unit, to be in proportion to the number of acres such owner has in the unit; or,
- b. To receive the cash bonus plus overriding or excess royalty, 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,
- c. To receive the cash bonus plus overriding or excess royalty, 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.

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 90 days after this Order issues and shall not be commingled with any funds of the Applicant and/or Operator. Any royalty payment or other payments due to such person shall be paid into an interest bearing escrow account by the holder of such funds. Responsibility for filing reports with the Commission as required by law and the

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 the sole benefit of, the person entitled thereto.

4. Election in Initial Well: Each owner of the right to drill in said drilling and spacing unit to said common source of supply covered hereby, who has not agreed to develop said as a unit, other than Applicant, may elect any of the alternatives set out in paragraph 3 above as to all or any part of the interest which such party owns and which such interest qualifies, said election to be made to Applicant, in writing within 20 days from the date of this Order. 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 paragraphs 2 and 3 above such owner elects, then such owner shall have relinquished unto Applicant all of their right title, interest or claim in and to the drilling and spacing unit and shall be deemed to have elected to receive the highest dollar bonus and lowest royalty for which said interest qualifies. In the event an owner elects to participate and either fails to pay or refuses to pay such owner's proportionate share of completed well costs, said owner shall be deemed to elect the highest dollar bonus and lowest royalty such owner's interest qualifies. An interest qualifies for a particular royalty in question when the sum of the owner's net revenue interest, together with all overriding royalties and other burdens on such interest, and the royalty in question, do not exceed 1.00. The initial or deemed election made by any owner not to participate shall be binding as to the owner, their heirs, representatives, agents, successors, assigns or estate for the first and all subsequent wells drilled pursuant to this Order.

5. Subsequent Operations: 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 any option other than participation in the initial well shall receive no additional cash consideration for subsequent wells. In the event Operator or any working interest owner proposes the drilling of a subsequent well, it shall notify those owners who participated in the prior well. Such notice shall be sent by certified mail, return receipt requested, and shall be accompanied by an AFE which sets forth the anticipated cost of the well and the location of the well. Each owner who participated in the prior well shall have 20 days from the receipt of said notice to elect, to the Applicant/Operator, in writing, whether said owner elects to participate in said subsequent well, or, if choosing not to participate, said owner shall receive the highest dollar bonus and lowest royalty for which such interest qualifies. Owners electing to participate must pay to Operator their proportionate share of said costs, or furnish security satisfactory to Operator therefor, within 25 days from the receipt of said notice. Those owners failing to elect to the Operator within the period provided, or those owners electing to participate but failing to pay or secure costs within the period provided, shall be deemed to have elected not to participate in the subsequent wells, and relinquished to Operator all of such owner's right to participate in the proposed well and all future wells. The highest dollar bonus and lowest royalty in which an interest qualifies is a fair, reasonable and equitable royalty to be paid unto each owner who elects not to participate or is deemed not to participate. Any owner who elected or was deemed to have elected not to participate in the initial unit well shall receive no additional cash bonus for any subsequent well but shall receive the same royalty as elected or deemed to have elected in the initial well. The Commission shall retain jurisdiction to determine the reasonableness of actual drilling and completion costs of the initial and subsequent wells. In the event operations for the proposed subsequent well are not commenced within 180 days after the date of the notice, then the proposal shall terminate and elections as to the proposed subsequent

well shall be void. All parties shall revert to their position prior to proposal, and a new proposal must be sent.

5.1 The term subsequent well for purposes of this paragraph 5 shall not be deemed to include any sidetracking or other operation with respect to the initial 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 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 any such well, and no party subject to this Order shall have the right to make any subsequent elections as to any such sidetracking, replacement well, or substitute well.

6. Operator Lien: 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 by paying such owner's proportionate part of the costs thereof.

7. Assignment or Transfer of Interest: Any owner who participates in the risk and expense of a well drilled under this Order shall notify the Applicant of any assignment or transfer of its interest in the unit. The Applicant shall then be obligated to mail the written proposal described above to that assignee, or transferee.

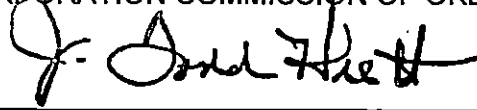
8. **Red Bluff Resources Operating, LLC, 3030 NW Expressway, Suite 900, Oklahoma City, Oklahoma 73112**, is designated Operator of the drilling and spacing unit and common source of supply covered hereby and all elections and well cost payments must be sent to said address as required in this Order and marked to the attention of **J. Cole Courson**.

9. The payment of cash bonus and royalty hereunder is subject to receipt by Applicant of a fully completed and executed Internal Revenue Service Form W-9 furnished by the applicable Respondent. The said Form being required for federal tax purposes. A Respondent who does not provide the Applicant with a Federal Form W-9 shall not be entitled to payment by the Applicant until such time as the Form has been furnished.

10. The Operator has 180 days within which to commence operations for the drilling or other operations with respect to the initial well, or this order shall be of no force or effect except as to the payment of bonuses.

11. 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.

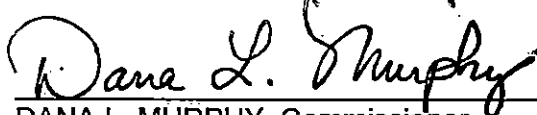
CORPORATION COMMISSION OF OKLAHOMA



J. TODD HIETT, Chairman



BOB ANTHONY, Vice Chairman



DANA L. MURPHY, Commissioner

DONE AND PERFORMED THIS 12 day of Nov., 2019.

BY ORDER OF THE COMMISSION

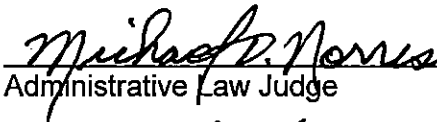


PEGGY MITCHELL, Commission Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:



Administrative Law Judge


10/31/19
Date



Reviewer – Technical Department

10/31/2019
Date

Approved as to form and content:



Emily P. Smith

Exhibit "A"

Respondents with known addresses:

1. Albert Lowell Chamberlain II
22736 Highway 60
Fairview, OK 73737
2. Bonita Gayle Chamberlain
7505 Kay's Ridge Lane
Knoxville, TN 37914
3. Chesapeake Exploration, LLC
P. O. Box 18496
Oklahoma City, OK 73154
4. Devon Energy Production Company,
LP
333 W. Sheridan Avenue
Oklahoma City, OK 73102
5. Lorrie Kay Sawtelle and Kevin
Sawtelle
512 W. Forster Drive
Mustang, OK 73064
6. Anette Thompson and Tommy
Thompson
217 Wilcox Way
Elk City, OK 73644
7. U.I. Smith Enterprises, LLC
5008 Northfield Court
Charleston, SC 29414

Respondents with unknown addresses:

None

Curative Respondents:

None

Dismissed Respondents:

None