

100
w/ct

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT:	CONTINENTAL RESOURCES, INC.)	
)	Cause CD No.
RELIEF SOUGHT:	POOLING)	
)	201904892
LEGAL DESCRIPTION:	SECTION 18)	
	TOWNSHIP 14 NORTH)	Order No.
	RANGE 13 WEST OF THE 1M)	
	BLAINE COUNTY, OKLAHOMA)	<u>705107</u>

FINDINGS AND ORDER

1. **Hearing Date and Place:** 8:30 a.m., the 21st day of October, 2019, Jim Thorpe Building, Oklahoma City, Oklahoma, before Michael Norris, Administrative Law Judge for the Corporation Commission of Oklahoma for the purpose of hearing, taking testimony and reporting his findings and recommendations to the Commission.

2. **Appearances:** Emily P. Smith, Attorney for Continental Resources, Inc. No other appearances or protests were filed or announced.

3. **Companion Causes:** Multiunit Horizontal Well Cause CD No. 201605876; Well Location Exception Cause CD No. 201605877.

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

5. **Amendment:** Paragraph 2.4 of the Application is amended to refer to Section 18 rather than Section 31.

6. **Relief Requested:** To pool and adjudicate the rights and equities of the owners named in Exhibit "A" 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.

7. **Relief Granted and Election Period:** The requested relief is granted and the rights and equities of all owners named in Exhibit "A" are hereby pooled, adjudicated, and determined in the lands described in the caption hereof for the following common sources of supply.

<u>Common Source of Supply</u>	<u>Size of Unit</u>	<u>Order No.</u>
Mississippian	640-acre	664508
Woodford	640-acre	664508
Hunton	640-acre	94272

The owners named in Exhibit "A" shall be afforded the following elections as to all or any portion of said owner's interest within **20** days from the date of this Order.

7.1 **Participate Woodford Target:** To participate in the development of the unit and common source 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 actual well costs, or by providing the Operator with an irrevocable letter of credit for such payment, or by making arrangements for such payment satisfactory to the Operator, within **25** days from the date of this Order, as follows:

Actual well costs	\$ 13,856,048.08
-------------------	------------------

Pursuant to the multiunit horizontal well Final Order No. 687555 issued in Cause CD No. 201605876, the unit well has been drilled through Section 18, Township 14 North, Range 13 West and Section 7, Township 14 North, Range 13 West. The unit well targeted the Woodford common source of supply with the Mississippian and Hunton as adjacent common sources of supply. Such costs are to be allocated to each Section based upon the length of the completion interval in each Section. Pursuant to said Final Order No. 687555, 53.82% of the completion interval is located in Section 18, and 46.18% of the completion interval is located in Section 7, and the costs shall be allocated on these percentages.

In the event an owner elects to participate in said unit well, but fails or refuses to pay such owner's proportionate part of the completed for production cost or provide the Operator with an irrevocable letter of credit therefore, or make other arrangements for such payment, all within the periods of time as prescribed in this Order, then such owner shall be deemed to have elected to accept, inclusive of burdens, the highest cash bonus for which, because of burdens, such owner's interest qualifies as set out in paragraphs 7.2, 7.3, 7.4 or 7.5. Payment of such cash bonus option shall be made by Operator within **35** days after the last day of which such defaulting owner should have paid the proportionate part of such costs or should have made satisfactory arrangements for the payment thereof under this Order.

7.2 **Cash Consideration: To accept \$1,500.00 per acre cash bonus plus the normal 1/8 royalty interest,** as defined in 52 O.S., Section 87.1(e)(2001), as a fair, reasonable and equitable bonus to be paid to each owner who elects not to participate in said unit well by paying such owner's proportionate part of the costs; 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. Such cash bonus is to be paid within **35** days from the date of this Order and when so paid shall be satisfaction in full of all rights and interests of such owner in the well covered hereby.

7.3 **Cash Consideration: To accept \$1,200.00 per acre cash bonus 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; provided, that any party unable to deliver a 13/16th interest shall be required to elect one of the following options or to participate in the drilling of the well. Such cash bonus is 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. In the event 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, and the same shall be reduced by the amount of any such excess.

7.4 **Cash Consideration: To accept \$1,000.00 per acre cash bonus plus a total royalty of 1/5** 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; provided, that any party unable to deliver a 4/5th interest shall be required to elect the following option or to participate in the drilling of the well. Such cash bonus is 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. In the event 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%** of **8/8** overriding or excess royalty, and the same shall be reduced by the amount of any such excess.

7.5 **No Cash Consideration: To accept no cash bonus plus a total royalty of 1/4** 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; provided, that any party unable to deliver a 3/4th interest shall be required to deliver its interest at the net revenue at the time of the filing of the Application herein in consideration of \$1.00 per acre, or to participate in the drilling of the well. In the event 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, and the same shall be reduced by the amount of any such excess.

7.6 **Allocation of Bonus:** Applicant intends to treat the Mississippian, Woodford and Hunton separate common sources of supply as separate and distinct units. At the original pooling hearing in Cause CD No. 201602383, Applicant presented extensive technical testimony regarding the potential for production from the common sources of supply. Said testimony was incorporated into this clean-up pooling. The allocated bonus values as shown below are hereby found to be the fair, reasonable and equitable bonus allocation between the common sources of supply. **Parties may choose to have separate elections as to each common source of supply or may elect, during the initial election period, not to participate in any of the common sources of supply and to receive a full cash bonus for all common sources of supply.**

<u>Common Source of Supply</u>	<u>Allocation</u>
Mississippian	50%
Woodford	35%
Hunton	15%

7.7 **Deferred Election as to the Mississippian and Hunton Common Sources of Supply:** Applicant's initial well is to be a multiunit horizontal well targeting the Woodford common source of supply. Unless an owner makes no election at all or the owner elects at the time of the initial election due within 20 days of this Order to receive one of the options set forth above as to the Mississippian and Hunton, that owner shall have a deferred election as to the Mississippian and Hunton common sources of supply. Such separate deferred election is to be made in the time and manner as set out in paragraphs 10 and 11 upon receipt of the well proposal for the Mississippian or Hunton targeted well.

8. **Failure to Elect:** In the event any owner fails to elect within the time and in the manner as set forth in paragraph 7, then such owner shall be deemed to have elected to accept,

inclusive of burdens, the highest cash bonus option for which, because of burdens, such owner's interest qualifies as set out in paragraphs 7.2, 7.3, 7.4 or 7.5 for all common sources of supply named in paragraph 7 hereof. If any owner elected other than to participate in said unit by paying the owner's pro rata share of the costs of the unit well or fails to make an election, 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.

9. **Operator:** Continental Resources, Inc. ("Continental"), 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. Operator has a current plugging bond or financial statement on file with the Corporation Commission.

9.1 **Elections:** All elections required in paragraph 7 should be communicated to the Operator in writing at the following address as required in this Order. All written elections must be mailed postmarked within the election period as set forth in paragraph 7; 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 7.

**Continental Resources, Inc.
P.O. Box 269091
Oklahoma City, OK 73126**

9.2 **Payment of Well Costs:** Any party electing to participate shall send well cost payment to the following address:

**Continental Resources, Inc.
P.O. Box 268835
Oklahoma City, OK 73126**

10. **Participation in Subsequent Operations:** Only those owners participating in the initial well targeting a particular common source of supply drilled hereunder as provided above will be allowed to participate in subsequent wells drilled on the particular drilling and spacing unit and common source of supply covered hereby. Owners electing or deemed to have elected the cash option plus royalty provided in paragraphs 7.2, 7.3, or 7.4 shall receive no additional cash consideration for subsequent wells, but shall receive the royalty provided therein for subsequent wells. The term subsequent well for the purposes of paragraphs 10 and 11 shall not include any side-tracking or other operation with respect to the initial unit well and shall not 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. 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 the Operator proposes the drilling of a subsequent well or wells, the Operator shall notify those owners who participated in the initial well targeting the particular common source of supply drilled hereunder of the Operator's 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 the subsequent well. The notice provided by the Operator shall include the estimated dry hole costs and estimated completed well costs

of the subsequent well. Owners electing to participate must pay, or make satisfactory arrangements with the Operator to secure the payment, of their proportionate share of said complete well costs within **25** days from the date of receipt of notice from the Operator. Those owners failing to elect within the period provided, or those owners electing to participate but failing to pay their share of the estimated well cost within the period provided, shall be deemed to have elected not to participate in the subsequent well and shall thereafter receive no cash consideration and a total 1/4 royalty, inclusive of all burdens, for all subsequent wells. Anytime an owner elects or is deemed to have elected not to participate in a subsequent well targeting a particular common source of supply, then that owner shall not be allowed to participate in future wells targeting that same common source of supply. The Operator shall commence the subsequent well within **180** days of the well proposal. Any well proposal made under this provision shall expire after 180 days if no well has been commenced and all parties shall be restored to their status prior to the subsequent well or wells proposal. The Oklahoma Corporation Commission shall retain jurisdiction over the drilling and completion costs for subsequent wells.

12. **Operator Lien:** Operator, in addition to any other rights provided herein, should have a lien, as set out in 52 O.S., Section 87.1(e)(2017), 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.

13. **Special Findings:**

13.1 Notice has been given by publication as required by Commission rules and Affidavits of Publication have been filed. Owners whose names and addresses were attainable have been given actual notice by 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 whether 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 to ascertain those parties entitled to notice and the whereabouts of those entitled to notice but who were served only by publication. The Commission finds the process was proper and that the Commission has jurisdiction over the subject matter and the parties. Applicant and Operator is an owner of the right to drill on the drilling and spacing unit and to develop and produce the common sources of supply. Applicant has proposed the drilling of a well on said unit to develop the common sources of supply as a unit. A bona fide effort was made by Applicant to reach an agreement with each respondent 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; however, no agreement with the respondents was made.

13.2 As stated in Paragraph 7.1, this unit is part of a multiunit horizontal well which includes Sections 7 and 18. The Operator expects to drill a number of horizontal wells through these units and the location and spacing of the wells is critical for the effective and efficient development of Sections 7 and 18. In addition, the ability to drill more than one well from each surface location prevents economic waste and reduces the environmental impact of drilling the well. For these reasons, it is important that the Operator be able to control the drilling activity in this unit; therefore, the Operator should be the only party permitted to propose subsequent wells.

13.3 Once a respondent elects or is deemed to have elected not to participate in a particular targeted common source of supply, that respondent shall receive the same royalty option when electing or deemed out of the other targeted common source of supply.

13.4 Prior to the payment of bonus consideration and/or royalty consideration by Applicant to a Respondent, said Respondent must provide a properly complete Internal Revenue Service Form W-9 [Request for Taxpayer Identification Number and Certification] to Applicant. The form being required is for federal tax purposes. A Respondent shall not be entitled to payment by Applicant until such time as the appropriate Form W-9 has been furnished.

14. **Filing of Affidavit:** 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 this Order was mailed within **3** days from the date of the Order to all parties pooled by this Order, whose addresses are known.

15. **Commencement of Operations:** The initial well hereunder has been drilled and completed and Operator shall continue to operate said well in a prudent manner, or this Order shall be of no force and effect, except as to the payment of bonus.

16. **Escrow Account:** 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 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 unclaimed monies under pooling orders.

17. **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.

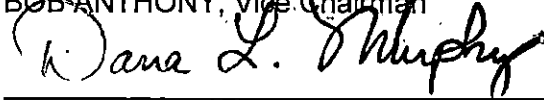
CORPORATION COMMISSION OF OKLAHOMA



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, Secretary

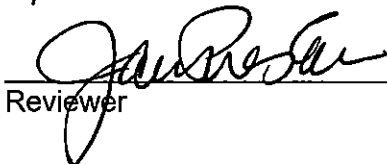
REPORT OF THE ADMINISTRATIVE LAW JUDGE

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

APPROVED:

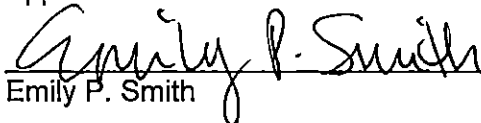

Administrative Law Judge

10.31.19
Date


Reviewer

10/31/2019
Date

Approved as to form and content:


Emily P. Smith

10/28/19
Date

EXHIBIT "A"

Respondents with known addresses:

1. Jerry Chambers – Oil Producer
c/o Occidental Petroleum
Corporation
5 Greenway Plaza, Suite 110
Houston, TX 77046
2. 1995 Income Program, LLC
c/o Steven A. Roitman
100 St. Paul Street, Suite 305
Denver, CO 80206

Respondent with unknown address:

None

Respondents dismissed:

None

Curative Respondents:

None