

FLEET ENERGY

mineral management

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FLEET ENERGY

mineral management services

Are you **READY** to be Forced Pooled?

Presented By: Jack Fleet, CMM



UNDERSTANDING POOLING

Combining of leases to form a unit. In some cases multiple smaller units already under lease, HBP, to create a larger unit. For example: Horizontal Drilling Units.

- Voluntary Pooling, lessor and lessee come to agreement on leasing property.
- Forced Pooling, a method to compel owners to consent to drilling by means of OK Statue Title 52.



UNDERSTANDING POOLING

- Compulsory or Forced Pooling
 - Owners right to drill, an operator applying to drill a well must have permission from the owners. When operators and owners can not come to a voluntary agreement, owners are unknown or owners addresses are unknown; Forced Pooling allows the operator the ability to continue with development.
 - There are times when it is OK to be pooled.



WHEN TO ELECT POOLING

- When to be Pooled
 - Remember as a mineral owner you have the executive rights. Drill, Lease, Pool or do nothing.
 - Can not come to agreement with a broker.
 - Terms, Consideration, or other.
 - When Pooling may benefit you.
 - You are being pooled and spaced on specific formations.
 - Bad Operator, with unknown or known history.



UNDERSTANDING POOLING

- To better Understand Pooling, you need to understand the process.
 - Building a Prospective Area of Interest. SCOOP, SOHO, smaller plays.
 - Securing the right to drill, leasing/assignments.
 - File or Amending a Drilling and Spacing Application, Order Issued.
 - File a Pooling Application, Order Issued.
 - File an intent to Drill.....Drill a Well.



THE PROCESS – LEASING

- Building an Prospective Area of Interest.
- Securing the Right to Drill
 - Leasing interest
 - The statute calls for an offer to be made, most operators or lease brokers offer to lease or participate in the well.
 - Lease offer vs. Well Proposal
 - Leasing is a voluntary agreement to convey your rights to drill to another party.
 - HBP Interest, assignment agreements between operators.



THE PROCESS – WELL PROPOSAL

Re: Proposed Scroggin No. 1-3
NE/4 NW/4 Section 3-6N-6E
Seminole County, Oklahoma

Ladies and Gentlemen:

Nichols Energy Services, Inc., as agent for Dave Holke Consulting, Inc. proposes the drilling of the Scroggin No. 1-3 Well in the referenced unit. The Scroggin No. 1-3 Well is proposed as a 3,300' Cromwell test and possibly other potential formations. The proposed location is in the NE/4 NW/4 Section 3-6N-6E.

Attached is our AFE which details our estimated drilling cost of \$202,700 along with a completion cost of \$236,100 for a total cost of \$438,800.

Our records indicate you may own an interest in the referenced unit. We request your election of one of the following options:

1. Participate by paying your share of actual well costs. If you desire to participate, your election must be made, and your share of AFE costs must be paid, pursuant to the terms of any applicable pooling order to issue.
2. Lease/Assign your rights for \$225 per net acre bonus, 3 years and 1/8th royalty.
3. Lease/Assign your rights for \$200 per net acre bonus, 3 years and 3/16th royalty.

Should you elect option #2 or #3 above, Nichols Energy Services, Inc. will send you a Lease/Assignment form and draft.



THE PROCESS - AFE

AUTHORITY FOR EXPENDITURE				
OPERATOR:	Dave Holke Consulting, Inc.	DATE:	Oct. 27, 2015	
WELL:	Scroggin No. 1-3	PROSPECT:	Dora	
LOCATION:	NW NE NW 3-6N-6E	OBJECTIVE:	Crownwell	
DEPTH:	3300'	COUNTY:	Seminole	
		DRY HOLE COST	COMPLETION COST	COMPLETED WELL COST
INTANGIBLES				
1	Surface Damages	7,500		7,500
2	Roads, Location, and Pits	20,000	5,000	25,000
3	Contract Drilling			0
	Move In and Out-Rig Up	0		0
	Footage (or Turnkey) ft @ \$ 20.00 per ft.	66,000		66,000
	Day Rate days @ \$ _____ per day	0	10,000	10,000
4	Open Hole Logs	7,000		7,000
5	Drill Stem Tests			0
6	Coring and Analysis			0
7	Mud, Additives, & Packer Fluid	12,000		12,000
8	Fuel, Water, and Power	1,500		1,500
9	Bits and Reamers	0		0
10	Casing Crew	1,500	5,000	6,500
11	Cementing	8,000	8,000	16,000
12	Float Equipment, Centralizers, Scratchers	500	1,000	1,500
13	Perforating and Cased Hole Logging		6,000	6,000
14	Completion Unit and/or Swabbing Unit		10,000	10,000
15	Frac or Acidize-Stimulation		25,000	25,000
16	Geological & Engineering Services	15,000	10,000	25,000
17	Transportation shut-off	30,000	3,000	33,000
18	Special Services & Rentals	4,000	5,000	9,000
19	Contract Labor & Testing		10,000	10,000
20	Insurance/Legal/Land/Title	5,000	5,000	10,000
21	Company Supervision & Overhead	2,000	2,000	4,000
22	Miscellaneous	10,000	10,000	20,000
	TOTAL INTANGIBLES	\$190,000	\$115,000	\$305,000
TANGIBLES				
23	Casing: Conductor in place			0
	Surf 550 ft. 8 5/8" OD @ _____	7,700		7,700
	Inter _____ ft. _____ OD @ _____			0
	Prod. 3300 ft. 4 1/2" OD @ \$11.00		23,100	23,100
	Liner _____ ft. _____ OD @ _____			0
	Tubing 3300 ft. 2 3/8" OD @ \$3.00		9,900	9,900
24	Rods 3300 ft. 3/4" OD @ \$2.00		6,600	6,600
25	Wellhead	1,000	2,500	3,500



THE PROCESS – LEASE OFFER

RE: Oil and Gas Lease offer in Section 23-09N-05W in Grady County, Oklahoma

Dear Mineral Owner:

Our company is leasing in the area and we have found that you are the owner of an open mineral interest in Section 23-09N-05W. We are offering the following terms for a three (3) year lease with a two (2) year option to extend:

- \$400 per bonus acre and 3/16 royalty
- \$300 per bonus acre and 1/5 royalty

If the option is exercised, we will pay one hundred percent (100%) of the original bonus payment amount for the additional three years upon the anniversary of the three-year term. You will receive your bonus check within thirty (30) business days from the day we receive your signed and notarized lease.

I look forward to discussing our offer with you at your earliest convenience. Please call me anytime at (580) 339-3648 or by email at natalie.mcGovern@ymail.com and let me know how you would like to proceed.



THE PROCESS – DRILLING/SPACING

- Drilling and Spacing Units
 - An application and notice of hearing is filed for landowners in the unit. This is to establish:
 - Size of the unit, regular, irregular, multi-unit?
 - The depths or formations to be included.
 - Division of interest Royalty vs. Working Interest.
 - Establish that each WI owner has the right to drill.
 - Defines the surface location where drilling will take place.



THE PROCESS – DRILLING/SPACING

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: NEWFIELD EXPLORATION MID-CONTINENT INC.

RELIEF SOUGHT: MULTIUNIT HORIZONTAL WELL

LEGAL DESCRIPTION: SECTIONS 22 AND 27,
TOWNSHIP 6 NORTH, RANGE 4 WEST, MCCLAIN
COUNTY, OKLAHOMA

CAUSE CD NO.

201403152-T

REPLACEMENT FOR FAX FILLED ON
APR 30 2014
FILED / RECEIVED

MAY 02 2014

NOTICE OF HEARING

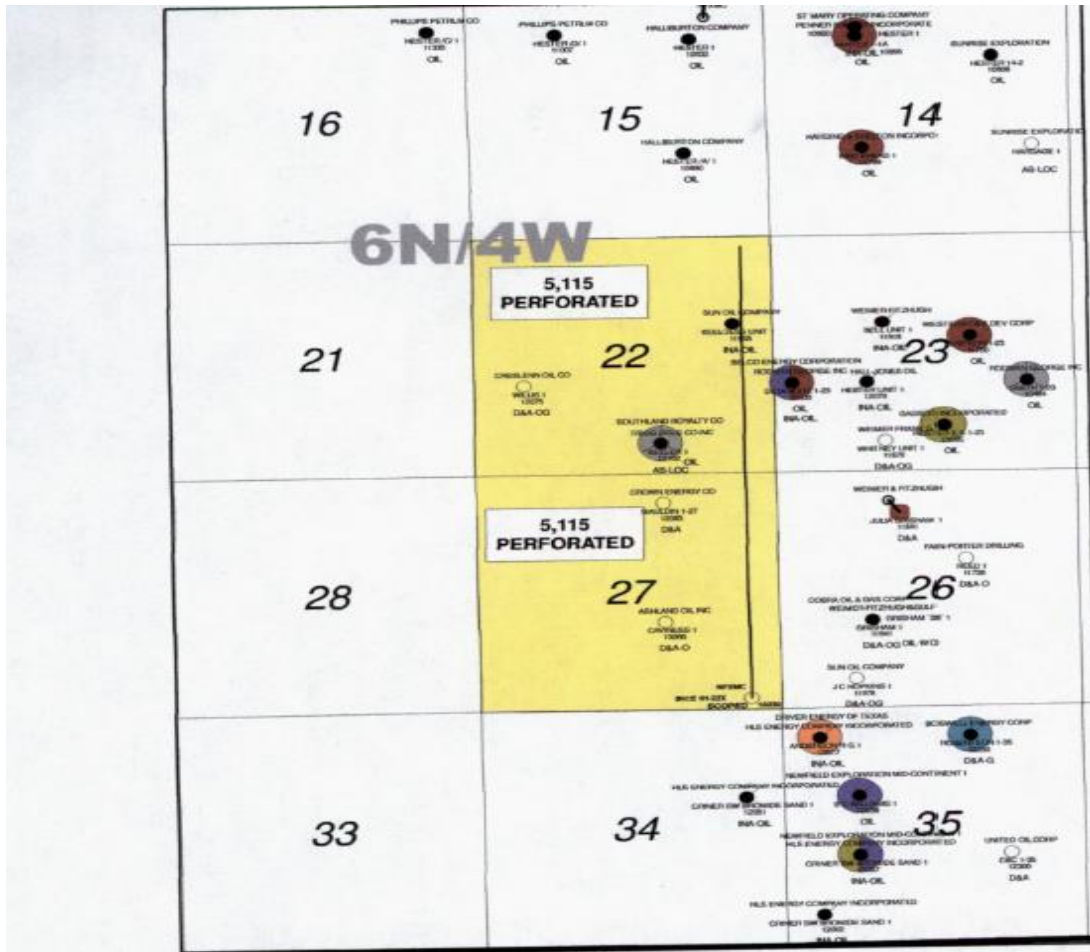
COURT CLERK'S OFFICE - TULSA
CORPORATION COMMISSION
OF OKLAHOMA

TO ALL PERSONS, OWNERS, PRODUCERS, OPERATORS, PRODUCERS AND TAKERS OF OIL AND GAS INCLUDING SECTION 22-6N-4W MCCLAIN: AD Astra Foundation, an Oklahoma corporation; Amcon Resources, Inc.; America Minerals, Inc.; Ancel Sherrard c/o Pam Sherrard; Ancel W. Sherrard a/k/a Ancel Sherrard c/o Pam Sherrard; Audrey Guy Oliver; B.Abbott Sparks, Jr., as Trustee of the Oil, Gas and Mineral Interest Trust; Bandera Minerals III, LLC.; Barbara A. Schoenhals, formerly Barbara Allen Gross; Barbara Schoenhals and Glen J. Schoenhals, Co-Trustees of the Schoenhals Living Trust, dated 4/1/2003; Betty J. Phelps, Trustee of the Phelps Family Trust I u/t/a dated January 1, 2000; Bill D. Bridwell and Barbara S. Bridwell, Co-Trustees of the Bill D. & Barbara S. Bridwell Irrevocable Trust, dated 6-30-1999; Bill D. Bridwell and Barbara S. Bridwell, Co-Trustees of the Bill D. & Barbara S. Bridwell Irrevocable Trust, dated 6-30-1999; Black Stone minerals Company, LP ; Blair Royalties, Ltd., an Oklahoma



FLEET ENERGY

THE PROCESS – DRILLING/SPACING



9-8-15



THE PROCESS – DRILLING/SPACING

(A) Section 27, Township 6 North, Range 4 West, McClain County, Oklahoma

<u>Common Source Of Supply</u>	<u>Exception to Order No.</u>
Mississippian	626773
Woodford	626773
Hunton	626773

(B) Section 22, Township 6 North, Range 4 West, McClain County, Oklahoma

<u>Common Source Of Supply</u>	<u>Exception to Order No.</u>
Mississippian	626773
Woodford	626773
Hunton	626773

10. Allocation of Costs and Production: That the allocation factor for each of the affected 640-acre horizontal units involved herein shall be determined by dividing the length of the completion interval of the multiunit horizontal well involved herein located in each such affected unit by the entire length of the completion interval of such multiunit horizontal well. In the event the lateral of the multiunit horizontal well involved herein stays within the productive portion of the Woodford common source of supply throughout the drilling of such lateral, then approximately 50% of the completion interval of such multiunit horizontal well will be located in said Section 27, approximately 50% of such completion interval will be located in said Section 22, with the cost of and the production and proceeds from such multiunit horizontal to be allocated between the affected units involved herein based on such percentages. The actual allocation of such costs, production Allocation of Costs and Production and proceeds may vary depending upon the results of the multiunit horizontal well involved herein.

11. Final Allocation: Final determination of the costs and production for the multiunit horizontal well to be drilled hereunder shall occur upon reopening of this Cause and submission of a bottom hole survey and evidence of the actual completion interval location in each of the above-described units.

12. Special Provisions: That the entire length of the lateral will be cemented such that the perforations will be isolated from the beginning and end point of the lateral.

The multiunit horizontal well, in accordance with the foregoing, is necessary to prevent waste and to protect correlative rights and Newfield Exploration Mid-Continent Inc. should be permitted to drill, complete and test such well, as set out herein, provided that such well must be commenced within one year from the date hereof or this order shall be of no force and effect, and IT IS SO ORDERED.

THE PROCESS – DRILLING/SPACING

- Hearings are held at the Office of Administrative Proceedings
 - First Floor, Jim Thorpe Building, 2101 North Lincoln, Blvd., OKC
 - Kerr State Office Building, 440 South Houston St., Suite 114, Tulsa
- All Hearings are overseen by an Administrative Law Judge.
- All testimony is given Under Oath.

THE PROCESS – POOLING



BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: NEWFIELD EXPLORATION MID-CONTINENT INC.

RELIEF SOUGHT: POOLING (PART OF A MULTIUNIT HORIZONTAL WELL)

LEGAL DESCRIPTION: SECTION 22,
TOWNSHIP 6 NORTH, RANGE 4 WEST,
MCCLAIN COUNTY, OKLAHOMA

CAUSE CD NO.

201500462-T

REPLACEMENT FOR FAX FILED ON
JAN 26 2015

FILED / RECEIVED

JAN 27 2015

COURT CLERK'S OFFICE - TULSA
CORPORATION COMMISSION
OF OKLAHOMA

NOTICE OF HEARING

TO ALL PERSONS, OWNERS, PRODUCERS, OPERATORS, PURCHASERS AND TAKERS OF OIL AND GAS, INCLUDING Amcon Resources, Inc.; Beasley Oil Company; Cobra Petroleum Company; Dinah Jane Andress, deceased c/o Dennis Andress; Golden Creek Minerals, L.L.C.; Katy Pipeline and Production Corporation c/o Sugarberry Oil & Gas Corporation; Northwest Oil & Gas Exploration, L.L.C.; Sharon Alexander c/o Lynn Alexander; Southwest Petroleum Company, L.P.; The Doris Thompson Cannan Trust for Priscilla Jean Cannan c/o Elizabeth Cannan Tidwell; The William James Finley Revocable Trust c/o William Finley; Wanda Jean Keel; Myrtle Lee, a/k/a Myrtle Lee Kerbo, and Joseph J. Lee, deceased, and their Heirs, Successors and Assigns; Helen Dewsnup, deceased, and her Heirs, Successors and Assigns; Airtel Air Refining Company, L.P.; and J. Lee, deceased, and their Heirs, Successors and Assigns.

THE PROCESS – POOLING

- The Hearing
 - Landman give testimony
 - That proper notice was given to each respondent.
 - Notice was published re: hearing date and time.
 - Good Faith Effort was made to come to terms.
 - To FMV of consideration for leases taken in the Nine Spot Area over the past 12 months.
 - Including Assignments and Farmouts.
 - What is NOT Considered.

THE PROCESS – POOLING



BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

APPLICANT: NEWFIELD EXPLORATION MID-CONTINENT INC.

RELIEF SOUGHT: POOLING (PART OF A MULTIUNIT HORIZONTAL WELL)

LEGAL DESCRIPTION: SECTION 22,
TOWNSHIP 6 NORTH, RANGE 4 WEST,
MCCLAIN COUNTY, OKLAHOMA

CAUSE CD NO.

201500462-T

ORDER NO.

637575

FINDINGS AND ORDER

1. Hearing Date and Place: 8:30 a.m., 17th day of February, 2015, Eastern Regional Office, 440 South Houston, Tulsa, Oklahoma 74127.
2. Appearances: Grayson Barnes, Attorney, appeared for Applicant.
3. Companion Cause: Spacing Cause CD No. 201403151-T, Multiunit Horizontal Well Cause CD No. 201403152-T, Location Exception Cause CD No. 201403186-T Pooling Cause CD Nos. 201404645-T, 201404646-T, 201500463-T.
4. Notice and Jurisdiction: Notice has been given as required and the Commission has jurisdiction of the subject and the persons.



THE PROCESS – POOLING

7.1 **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	\$5,752,846
Completed for production	\$9,293,346

7.4 **Cash Consideration:** To accept \$1,200 per acre plus a total royalty of 1/8 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 7.5% of 8/8 overriding or excess royalty as herein set forth, and the same shall be reduced by the amount of any such excess.

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 above, then such owner shall be deemed to have accepted the highest cash bonus for which because of burdens such owner's interest qualifies as set out in paragraphs 7.2, 7.3 or 7.4 above, provided in the event such owner's interest because of burdens attached to such interest does not qualify for the option provided in paragraphs 7.2, 7.3 or 7.4 above, then such owner shall be deemed to have accepted the no cash option provided for in paragraph 7.5 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.



THE PROCESS – POOLING

spacing units covered hereby. Newfield 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 Newfield for subsequent wells. Any well proposal made under this provision shall expire after 180 days if no well has been commenced. If no well has commenced under said well proposal, all parties shall be restored to their status prior to proposing the subsequent well.

14. Special Finding: Notice has been given by publication as required by Commission Rules and Affidavits of Publication have been filed. Those 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 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. 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.

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.



THE PROCESS – POOLING

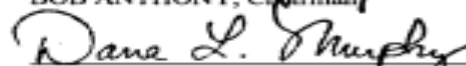
the risk assumed and the expenses incurred in connection with such initial unit well. Furthermore, the bonus values testified to are based upon consummated oil and gas leases which cover all of the separate common sources of supply herein. Therefore, as set forth in the Application filed herein, Applicant 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 or unit. Newfield Exploration Mid-Continent Inc. 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.

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.

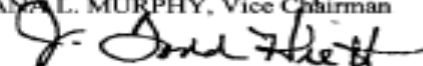
CORPORATION COMMISSION OF OKLAHOMA



BOB ANTHONY, Chairman



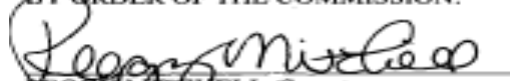
DANA L. MURPHY, Vice Chairman



J. TODD HIATT, Commissioner

DONE AND PERFORMED this 9 day of March, 2015.

BY ORDER OF THE COMMISSION:



PEGGY MITCHELL, Secretary



THE PROCESS – POOLING

- The Order
 - Usually is issued the same day as the hearing.
 - Unleased Respondents have 20 days to make an election. However, check the order.
 - Failure to make and elections, most likely results in the option of the bonus and $1/8^{\text{th}}$ royalty.
 - The Pooling Order must be published in the newspaper with the largest publication in the county where the unit is located.



THE PROCESS – POOLING

- Additional items to Note in Pooling
 - Review the respondents list:
 - Is your entity listed correctly?
 - Are you listed as Unknown?
 - Are you listed as Unknown Address?
 - Are you listed under **Curative**?
 - If there is an issue, contact the Operator, Landman or Attorney listed in the Pooling Notice of Hearing.

WELL PERMIT



API NUMBER: 087 22036

Horizontal Hole Oil & Gas

OKLAHOMA CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
P.O. BOX 52000
OKLAHOMA CITY, OK 73152-2000
(Rule 165:10-3-1)

Approval Date: 11/18/2015

Expiration Date: 05/18/2016

PERMIT TO DRILL

WELL LOCATION: Sec: 22 Twp: 6N Rge: 4W County: MCCLAIN

SPOT LOCATION: FEET FROM QUARTER: FROM NORTH FROM EAST
SECTION LINES: 325 370

Lease Name: INCE

Well No: 1H-22X

Well will be 325 feet from nearest unit or lease boundary.

Operator Name: NEWFIELD EXPLORATION MID-CON INC

Telephone: 9188781290; 9188781

OTC/OCC Number: 20944 0

NEWFIELD EXPLORATION MID-CON INC
1 WILLIAMS CTR STE 1900
TULSA, OK 74172-0162

CHRIS D. AND RACHAEL S. INCE
15688 150TH ST
LINDSAY OK 73052



RECAP THE POOLING PROCESS

- Between May 2nd, 2014 - March 27th, 2016
 - Spaced Section 22
 - Respaced Sections 22 & 27 as a MultiUnit HW
 - Extended the Spacing time frame
 - Location Exception
 - Pooling Section 22
 - Extended the Pooling Order timeframe
 - Pooled Section 22 and Section 27 MultiUnit HW
 - Clean Up Pooling Section 22

PROTEST

- Why and Who Protest a hearing?
- If you choose to Protest
 - Contact the Operator or representative in advance of the hearing date.
 - If your property is in a Corporation you will need an attorney to represent you.
 - Show up early and let the docket announcer know of your intent to Protest.
 - Have your facts well documents.



WHY PROTEST

- Operators can not settle on operational control.
- Horizontal drilling in a vertical play.
- Mineral Owner can not agree on spacing.
- Mineral Owner can not agree on consideration, with knowledge.
- Violation of a implied covenant to Protect against drainage.



WHO CAN PROTEST

- Any person or company owning rights to drill within the unit or the 9 unit area.
- Any Interested Parties.
 - Mineral Owners
 - Royalty Owners
 - Nearby Operators
 - Operators in competition for control.



HOW TO PROTEST

- If your minerals are owned personally, the individual may represent themselves. Advisable?
- If your minerals are in an entity, you need to be represented by an attorney.
- Contact the Company that filed the application, first and tell them of your intent.
- Show up the day of the hearing and notify the ALJ of your intentions. Protest are normally heard on different days than hearings; it is likely to be reschedule.
- The ALJ will expect a Pre-Hearing Conference Agreement to be filled out. Form is on the OCC website.
 - Explains the issues, and sets the trail date.



ADDITIONAL PROCEDURES

- Additional Procedures Include:
 - Well Location Exceptions
 - Increased Density
 - Drilling a second, third or additional wells on the property. Recall that the Drilling and Spacing Order is only for the first well drilled.
 - Emergency Orders
 - For whatever reason the operator needs a decision prior to the hearing. Notice must be at least five day prior to request EO date. Can a well be drilled prior to a Pooling Order – YES.



SO...LEASE OR GET POOLED?

- Differences between Pooling and Leasing:
 - No depth clause in pooling:
 - Only pooled formations from the spacing order.
 - What is your Lease's depth clause.
 - Post Production Cost:
 - Will probably be charged in pooling.
 - Term:
 - Leases generally 3 years or even 3 year plus 2 year option. Pooling generally 6 months or 1 year, extensions can be filed.
 - Shut in Clause:
 - No shut in clause in pooling.
 - Held by Production:
 - No clause to continue cease production due to non production, or commercially economical.
 - Who can not be Pooled:
 - ORRI, Restricted Indian Minerals, STATE OWNED MINERALS.
 - When to consider being pooled:
 - Can not come to terms or consideration. Title Issues.

This Presentation and Supporting Documentation
Can be Found at www.FleetEnergyCo.com



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mineral management services

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