

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF OKLAHOMA

**FILED**  
MAY 13 2015

APPLICANT: NEWFIELD EXPLORATION MID-CONTINENT INC. )  
RELIEF SOUGHT: POOLING (PART OF A MULTIUNIT HORIZONTAL WELL) )  
LEGAL DESCRIPTION: SECTION 34, TOWNSHIP 15 NORTH, RANGE 6 WEST, KINGFISHER COUNTY, OKLAHOMA )

COURT CLERK'S OFFICE - TULSA CORPORATION COMMISSION OF OKLAHOMA

CAUSE CD NO. 201408715-T

*HRREP*  
*4*

**REPORT OF THE ADMINISTRATIVE LAW JUDGE**

The cause came on for hearing before **Kathleen M. McKeown**, Administrative Law Judge (ALJ), in the Oklahoma Corporation Commission (Commission) courtroom, Kerr Building, Tulsa, Oklahoma, pursuant to notice given as required by law and the rules of the Commission for the purpose of taking testimony and reporting to the Commissioners.

**CASE SUMMARY**

Newfield Exploration Mid-Continent Inc. (Newfield) seeks to pool the Mississippian, Woodford and Hunton common sources of supply as these zones underlie the subject unit. American Energy-Nonop, LLC (AENO) objects to the terms of payment for participating parties as well as the designation of parties allowed to propose subsequent wells and how many subsequent wells can be proposed at one time.

**RECOMMENDATIONS**

The pooling application should be granted and Newfield should be named operator of the well. Parties timely electing to participate should receive a 30-day spud notice and then have 10 days to pay their share of the completed well costs. Newfield should be the only party allowed to propose subsequent wells and more than two subsequent wells may be proposed at a time.

**HEARING DATE**

April 15, 2015

**APPEARANCES**

Ron M. Barnes appeared for Newfield;  
Eric R. King appeared for AENO;  
David W. Mindieta appeared for Chesapeake Operating, L.L.C. and Chesapeake Exploration, L.L.C.

**SUMMARY OF EVIDENCE**

1. CD 201408715-T requests an order pooling the interests of oil and gas owners in the Mississippian, Woodford and Hunton common sources of supply as they underlie Section 34, Township 15 North, Range 6 West, Kingfisher County, Oklahoma.

2. **Exhibits** were marked and accepted into evidence as follows (exhibit sponsor in parentheses):
  1. Newfield Authority for Expenditure (Newfield)
  2. Eagle Rock Mid-Continent Asset, LLC waiver of notice (Newfield)
  
3. On behalf of **Newfield** expert testimony and evidence was presented through **Eric Weidemann**, petroleum landman; and **Kirk Fields**, petroleum engineer.
  - A. Newfield owns an 81% interest in the subject unit and has taken approximately 66 oil and gas leases in the 12-section area; Newfield's records show that AENO currently owns 17.77 acres in the unit which was acquired after the subject pooling was filed on November 21, 2014; the party from which AENO got its interest is Nassau Resources, LLC, a respondent named in the pooling. AENO and Newfield agreed during the hearing on the terms for fair market value to be offered under the pooling order. Newfield does not typically (nor will it here) use a joint interest billing for parties electing to participate under the pooling order although participants may share in pooled acreage. Newfield proposes that both initial and subsequent wells under the pooling order terms allow parties who timely elect to participate to receive a 30-day notice of spud and have 10 days from receipt of the notice to pay their proportionate share of the completed well costs; if no well is commenced within 60 days of the date of the spud notice, all monies will be refunded by Newfield to the proper parties and the proposal process would begin again. These proposals allow Newfield to pay vendors when bills are due without having to be concerned about late payments or non-payments by participants which could occur under a joint interest billing system.
  
  - B. Only Newfield may propose subsequent wells to maintain an orderly development of the unit; all permits and administrative orders will be in place prior to the proposal of subsequent wells. Significant savings can be realized in both drilling and completion costs if multiple subsequent wells are proposed at one time. Production costs may also be impacted by avoiding water being pushed into producing wells which would then need to shut-in and water pumped out to re-establish production, which, ultimately, might not be re-established. The Commission would retain jurisdiction over challenges to operations or well costs.
  
4. On behalf of **AENO** expert testimony and evidence was presented through **Matthew Athey**, petroleum landman.
  - A. AENO took an assignment from Nassau Resources, LLC resulting in AENO owning 33.778 net acres in the subject unit; this assignment was recorded January 16, 2015 and a copy provided to Newfield at the hearing. AENO never received any inquiries from Newfield as to the amount of bonuses AENO had paid in any transactions in the 9-section area; in fact, AENO is under the impression that Newfield will not work with AENO in accommodating any requests that AENO may make regarding private agreements which has forced AENO to protest many of the Newfield causes in which AENO has an interest. AENO believes that the only fair way to treat well participants is for Newfield to adopt one of the following methods for payment of well costs: 1) each participant pay their proportionate share of well costs through joint interest billings; 2) give participants a 30-day spud notice with 30 days after receipt of the spud notice to pay their proportionate share of the dry hole costs followed by a 30-day completion notice and 30 days after receipt of that notice to pay the proportionate shares of the completed well costs; or 3) have all participants' proportionate shares of the completed well costs (including Newfield's) escrowed.

- B. In order to have a participant able to make a knowledgeable election on whether to participate in subsequent wells, no more than 2 subsequent wells should be proposed at one time by any participant and each subsequent well should be completed before additional subsequent wells may be commenced. The savings in drilling and completion costs does not overcome the need to review well results before investing more money in additional wells.

### RECOMMENDATIONS

1. After taking into consideration all of the facts, circumstances, evidence and testimony presented in the cause, it is the recommendation of the ALJ that the subject application of Newfield be granted. Under any pooling order issuing from the cause the ALJ recommends that, if AENO timely elects to participate, it will receive a deferred payment of its proportionate share of the completed well costs which will be due in some form agreeable to Newfield within 10 days after the receipt of a 30-day notice of intent to spud the subject well.
2. Newfield presented expert testimony as to the reasons it rejected the various requests made by AENO. The reasons to not allow the pooling order to contain joint interest billing provisions, splitting well cost payment timing into dry hole and completed well costs, escrowing all well costs, allowing any participating party to propose no more than two subsequent wells at one time and requiring completion of each subsequent well prior to another being drilled or proposed were clearly set forth by Newfield as being in the interests of cost-saving and allowing the unit development to proceed smoothly. AENO did not sufficiently persuade the ALJ that any of these matters should be allowed in the pooling order.
3. Under the statutory powers given to the Commission in 52 O.S. 87.1(e), parties may apply for forced pooling of units when owners cannot reach a voluntary agreement to develop reserves underlying said units. The purpose of the pooling hearing is to assure that the parties receive terms reflecting the fair market value for interests owned under a process that will prevent waste while protecting the correlative rights of the owners in a bare-bones pooling order. While the Commission does not condone bad faith negotiating of leases or development of reserves, it is without the power to specifically set out steps necessary to be complied with prior to any pooling order being filed to assure that sufficient negotiation has occurred in an approved manner; these negotiations are part of business dealings among private companies and individuals.
4. Prior to the subject pooling being filed, Newfield took leases and, once the application was filed, parties interested in participating under the pooling order were given a deferred payment of completed well costs. While AENO has been offered the same deferred payment option as the other parties electing to participate under the pooling order, the fact that AENO has not had its other requests met cannot be considered a reasonable protest resulting in further delay of this pooling. AENO came into its ownership in the unit after the proposal and pooling application filing by Newfield; therefore it was not named as a respondent; in fact, the terms of the AENO lease were not presented to Newfield until the day of the hearing at which time Newfield incorporated them into its recommendation of fair market value. Due to the ownership and operation position of Newfield and the actions taken to successfully drill and pool the subject well,

the ALJ finds the arguments of AENO fail to be persuasive and believes it would be in the best interests of preventing waste and protecting correlative rights to grant the Newfield application under the terms Newfield proposed at the hearing.

Thus, in light of the aforementioned conclusions, it is the recommendation of the ALJ that the application in CD 201408715-T be granted. Any order issuing out of the cause should contain the recommendations provided herein.

Respectfully submitted this 13th day of May 2015,

A handwritten signature in cursive script that reads "Kathleen M. McKeown". The signature is written in black ink and is positioned above a horizontal line.

KATHLEEN M. MCKEOWN  
Administrative Law Judge